PSEG

PSEG *Public Service Enterprise Group*

Barclays US Utilities Conference
Zurich, Switzerland

March 14, 2012

Forward-Looking Statement

Readers are cautioned that statements contained in this presentation about our future performance, including future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. When used herein, the words “anticipate”, “intend”, “estimate”, “believe”, “expect”, “plan”, “should”, “hypothetical”, “potential”, “forecast”, “project”, variations of such words and similar expressions are intended to identify forward-looking statements. Although we believe that our expectations are based on reasonable assumptions, they are subject to risks and uncertainties and we can give no assurance they will be achieved. The results or developments projected or predicted in these statements may differ materially from what may actually occur. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- adverse changes in the demand for or price of the capacity and energy that we sell into wholesale electricity markets,
- adverse changes in energy industry law, policies and regulation, including market structures and a potential shift away from competitive markets toward subsidized market mechanisms, transmission planning and cost allocation rules, including rules regarding how transmission is planned and who is permitted to build transmission in the future, and reliability standards,
- any inability of our transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators,
- changes in federal and state environmental regulations that could increase our costs or limit our operations,
- changes in nuclear regulation and/or general developments in the nuclear power industry, including various impacts from any accidents or incidents experienced at our facilities or by others in the industry, that could limit operations of our nuclear generating units,
- actions or activities at one of our nuclear units located on a multi-unit site that might adversely affect our ability to continue to operate that unit or other units located at the same site,
- any inability to balance our energy obligations, available supply and trading risks,
- any deterioration in our credit quality, or the credit quality of our counterparties, including in our leveraged leases,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- any inability to realize anticipated tax benefits or retain tax credits,
- changes in the cost of, or interruption in the supply of, fuel and other commodities necessary to the operation of our generating units,
- delays in receipt of necessary permits and approvals for our construction and development activities,
- delays or unforeseen cost escalations in our construction and development activities,
- any inability to achieve or continue to sustain, our expected levels of operating performance,
- increase in competition in energy markets in which we compete,
- challenges associated with recruitment and/or retention of a qualified workforce,
- adverse performance of our decommissioning and defined benefit plan trust fund investments and changes in discount rates and funding requirements, and
- changes in technology and customer usage patterns.

For further information, please refer to our Annual Report on Form 10-K, including Item 1A. Risk Factors, and subsequent reports on Form 10-Q and Form 8-K filed with the Securities and Exchange Commission. These documents address in further detail our business, industry issues and other factors that could cause actual results to differ materially from those indicated in this presentation. In addition, any forward-looking statements included herein represent our estimates only as of today and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if our internal estimates change, unless otherwise required by applicable securities laws.

GAAP Disclaimer

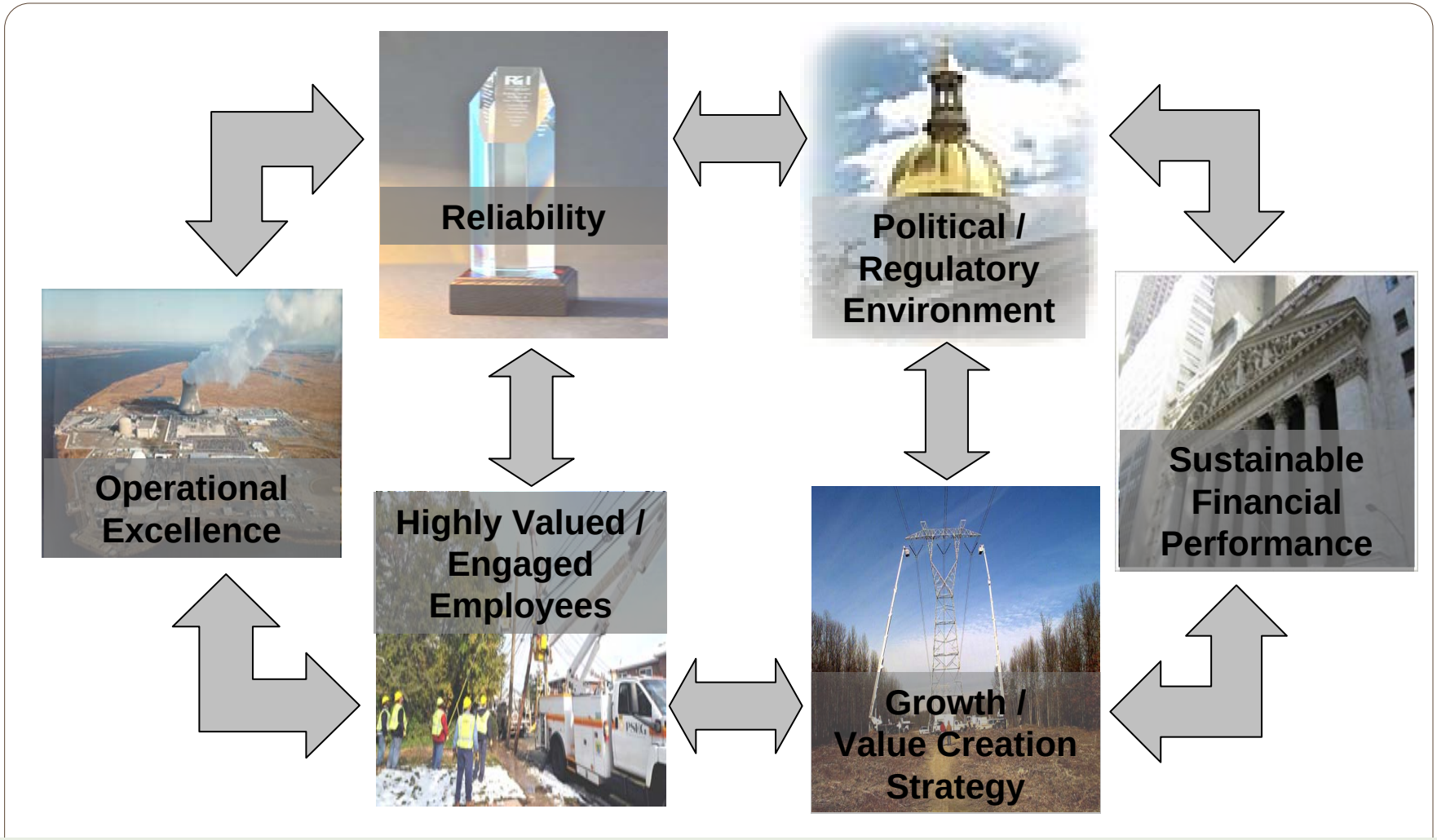
PSEG presents Operating Earnings in addition to its Net Income reported in accordance with generally accepted accounting principles in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes gains or losses associated with Nuclear Decommissioning Trust (NDT), Mark-to-Market (MTM) accounting, and other material one-time items. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last page in this presentation (page A) includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

PSEG – *The Business of PSEG*

Ralph Izzo
Chairman, President and Chief Executive Officer

Caroline Dorsa
Executive Vice President and Chief Financial Officer

The business of PSEG: A focus on excellence and a commitment to enhancing shareholder value



PSEG

Growing an operationally excellent, integrated generation, transmission and distribution business

PSEG

PSE&G

Electric & Gas Delivery and Transmission

PSE&G positioned to meet NJ's energy policy and economic growth objectives with a $5.4 billion investment program through 2014

Assets $17.5B
Operating Earnings $521M

PSEG Power LLC

Regional Wholesale Energy

PSEG Power's low-cost, base load and load following fleet is geographically well positioned and environmentally responsible

Assets $11.1B
Operating Earnings $845M

PSEG Energy Holdings

Renewable Investments

PSEG Energy Holdings positioned to pursue attractive renewable generation opportunities

Assets $1B
Operating Earnings $5M

Assets and operating earnings are for the year ended 12/31/2011.
* See page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

2011 – A year of significant accomplishment despite challenging markets

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PSE&G

- NJBPU approved capital spending with supportive recovery mechanisms
- Transmission incentive rate treatment granted
- EEI Emergency Response Award
- 10th consecutive Reliability One Award

PSEG Power LLC

- License extensions obtained for Salem and Hope Creek
- Record production at both Hope Creek and the CCGT fleet
- Texas assets sold

PSEG Energy Holdings

- 25 MW Solar project in Arizona
- Continued de-risking of legacy portfolio
  - Denver building sold
  - IRS settlement on LILO/SILO tax matters
- Dynegy settlement

Consistently achieving earnings objectives

* Operating earnings; See page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.
*Texas generating units are excluded from all years' operating results.

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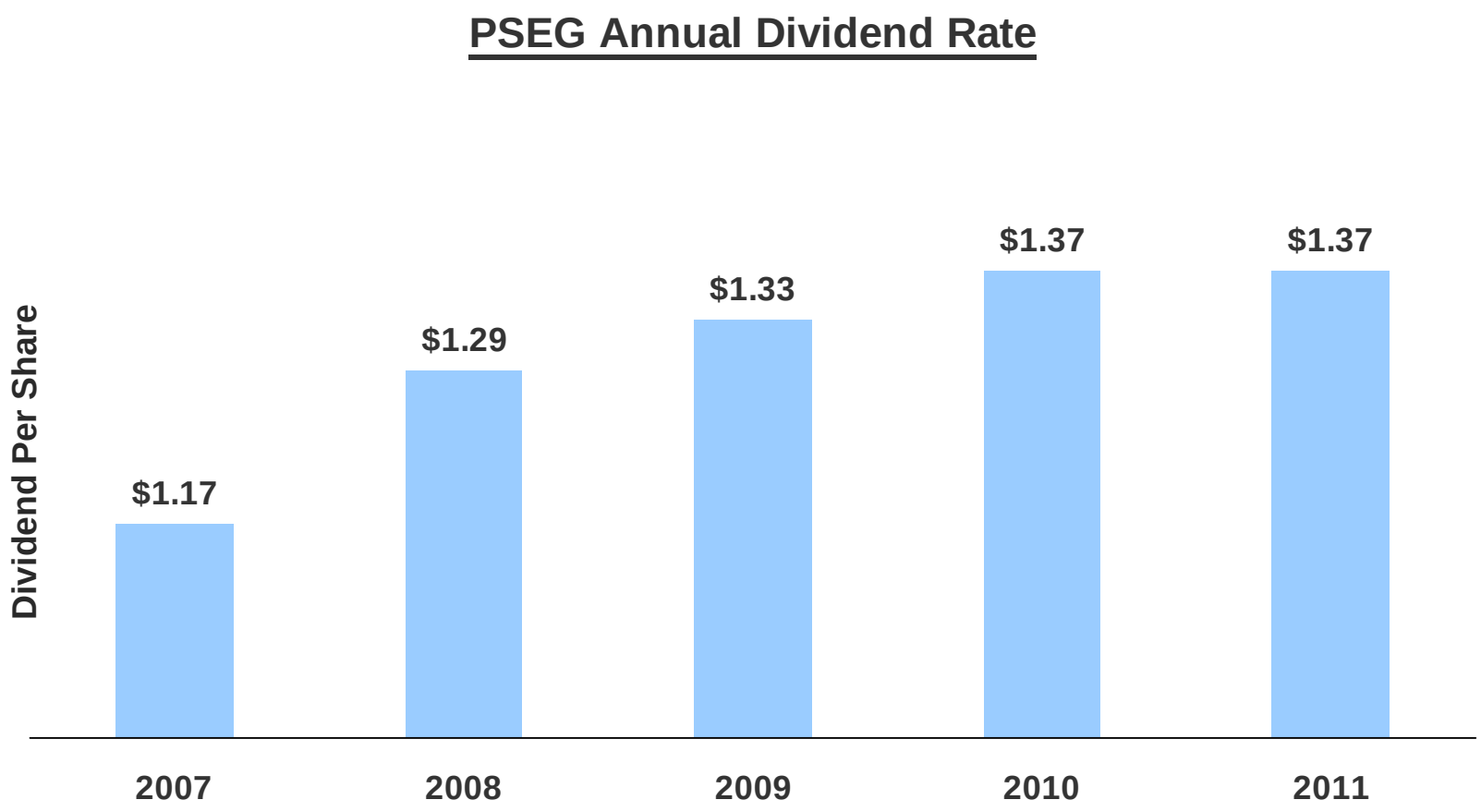
Focused program which improved operating efficiency and directed capital investment to PSE&G reduced the impact of lower energy prices on operating earnings

PSEG Focus

($ millions, except as noted)

2008		2011
$2.91	**Operating Earnings Per Share**	**$2.74**
$69.85	PJM West RTC ($/MWh)	$43.57
• 2.4% (planned)	• O&M Growth per year	• 0.4% (actual)
• $866	• Transmission Rate Base	• $1,600
• $0	• Utility Cap Stimulus Spending	• $760
• $0	• Utility Solar & EE Cap Exp	• $687
	• EFORd Rate	
• 1.6%	CCGT	• 1.1%
• 8.4%	Coal	• 6.6%
• 29.3TWh	• Nuclear Generation	• 30.1TWh
• $0	• Holdings Solar Investment	• $120

Returning cash to investors through common dividends and preserving flexibility to invest for future growth



Executing on strategy that fits today's market: solid, sustainable, value-creating

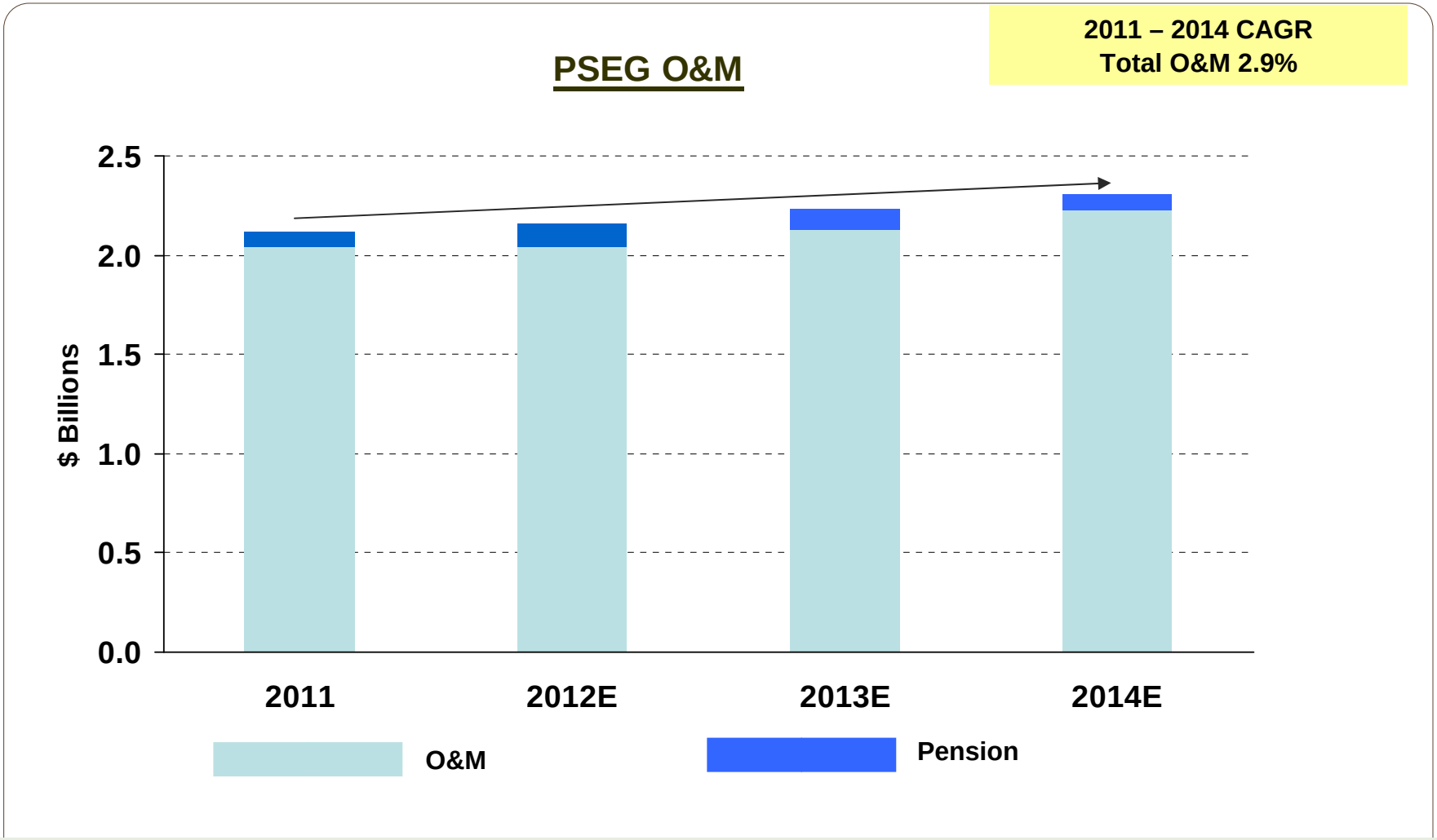
Market Environment

- Low natural gas price outlook and slow recovery in demand growth
- Challenges to competitive markets
- Environmental mandates affect generation dispatch

PSEG Strategy

- Improving efficiency
- Supporting rules that improve market transparency and competition
- Investing in infrastructure - transmission and peaking - reduces congestion and provides reliable service at a reasonable cost
- Evaluating new investment opportunities

Operating efficiently in response to low commodity prices



Supporting a competitive market place

Long Term Capacity Agreement Pilot Program (LCAPP)

FERC

- Minimum offer price rule (MOPR) limits ability of subsidized generation to distort capacity markets
- Below-MOPR bid if based on reasonable cost / revenue expectations

Federal Court

- Pending challenge to constitutionality of LCAPP Act
- Summary judgment motions pending

PJM

- Filed with FERC proposed RPM auction improvements to support new market-based generation
- FERC evaluation of generator interconnection process is underway

State of New Jersey

- Energy Master Plan policy goals
- State support for subsidized generation dependent on appeals process and RPM auction outcome
- Two appeals challenging LCAPP implementation pending in NJ Appellate Division

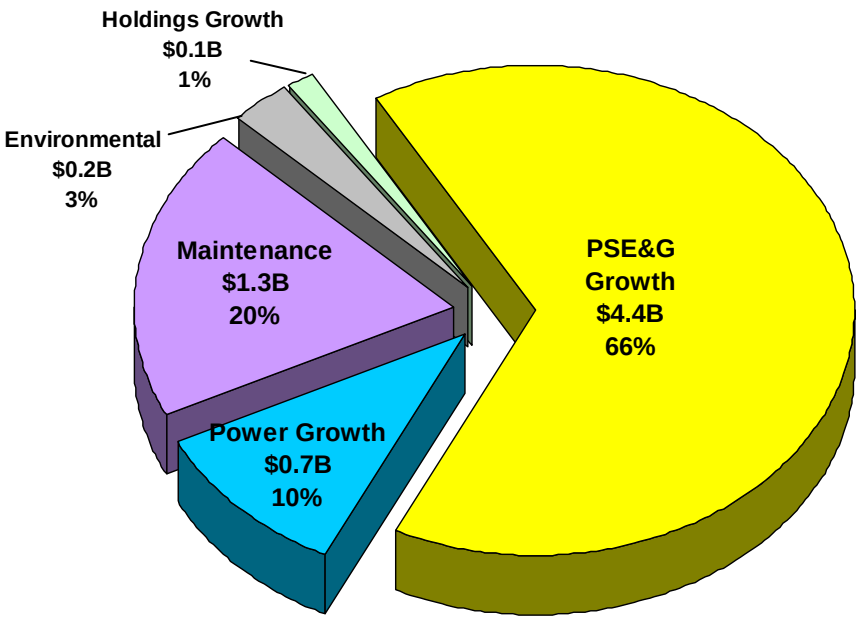
Positioned to benefit from environmental leadership

- Market uplift expected as a result of environmental rules (due to retirements, derates, higher VO&M costs or higher emission allowances prices)
  - Estimated energy impact of CSAPR and MATS: $2-$5/MWh, not fully reflected in current forward prices
  - Retirements (MATS and HEDD) will provide strong support to capacity markets
- Power is generally well positioned to meet the anticipated requirements:

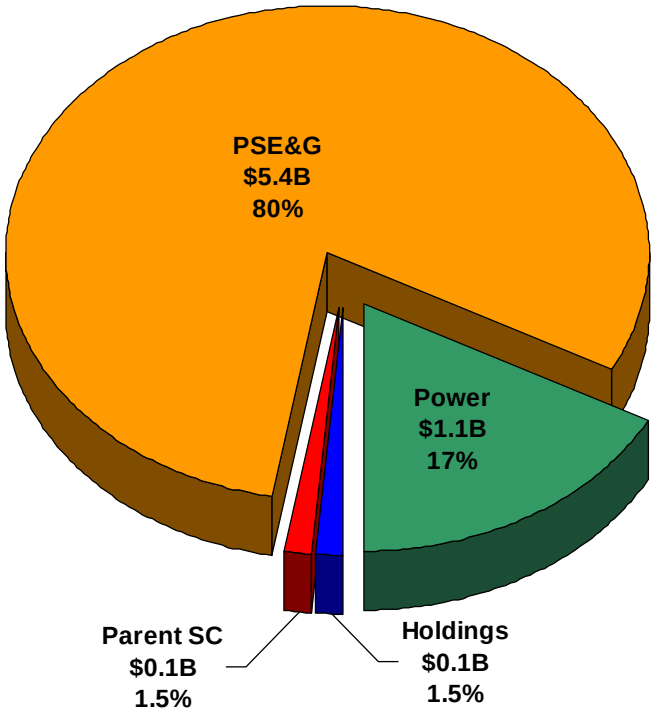
	PSEG Power's Position
Criteria Pollutants (CSAPR)	• Well positioned on NO_X and SO_2, net of anticipated allowances
Mercury & Air Toxics (MATS)	• Generally well positioned on Hg, particulate matter, and HCl • Comprehensive coal controls (SCR planned at Conemaugh)
High Electric Demand Days (HEDD)	• Compliance strategy under review (retirements or investments)
Coal Combustion Byproducts	• Power uses dry ash systems • Coal ash and scrubber waste tested as non-hazardous
316(b) Cooling Water Regulations	• Power shares general industry exposure on capital expenditure • Ongoing, positive industry dialogue with EPA • Power has over $150M in estuary enhancement program at Salem

Investments focused on growth to meet customer requirements

PSEG 2012-2014E Capital Spending
$6.7 Billion
Growth / Environmental / Maintenance

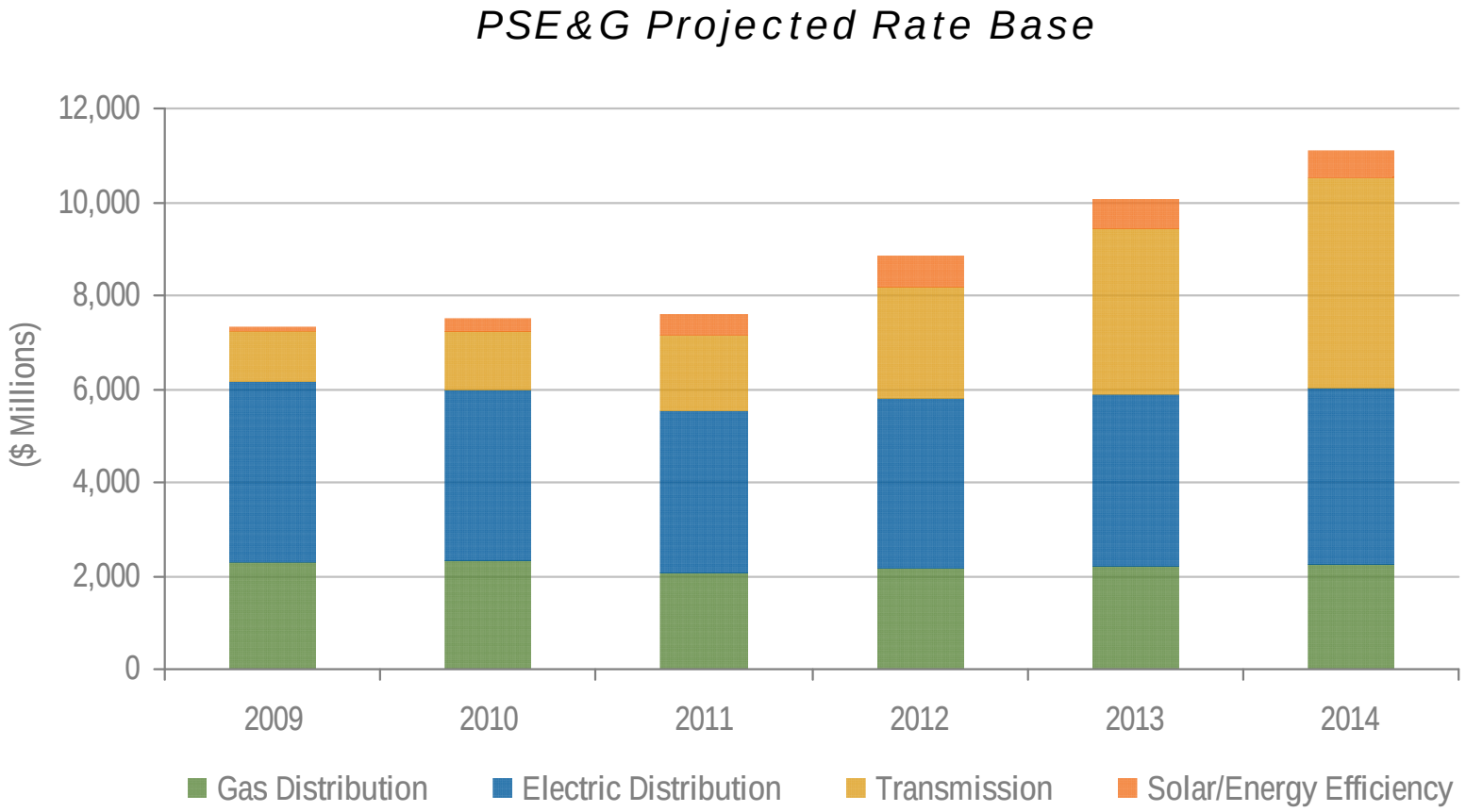


PSEG 2012-2014E Capital Spending
$6.7 Billion
by Subsidiary



E = Estimate; Capital excludes IDC and AFUDC.

PSE&G's investment program provides opportunity for ~13% annualized growth in rate base from 2011*



*Starting from 2011 year-end Rate Base of $7.6 billion.

Conclusion of major environmental spend places Power in good position to meet CSAPR and MATS

Current Regulations and Compliance Measures						
Description	Hudson (NJ)	Mercer (NJ)	Keystone (PA)	`Bridgeport (CT)	Conemaugh (PA)	Status
NO_x	SCR	SCR	SCR	Low No_x Burners	SCR 2014	Power is well positioned for CSAPR & MATS
SO_2	Scrubber	Scrubber	Scrubber	Ultra-low Sulfur Coal	Scrubber	
Mercury/ Particulate	Baghouse & Activated Carbon	Baghouse & Activated Carbon	Scrubber & SCR, ESP	Baghouse & Activated Carbon	Scrubber & SCR, ESP	

Capital Spend Planned **No Additional Capital Spend Planned**

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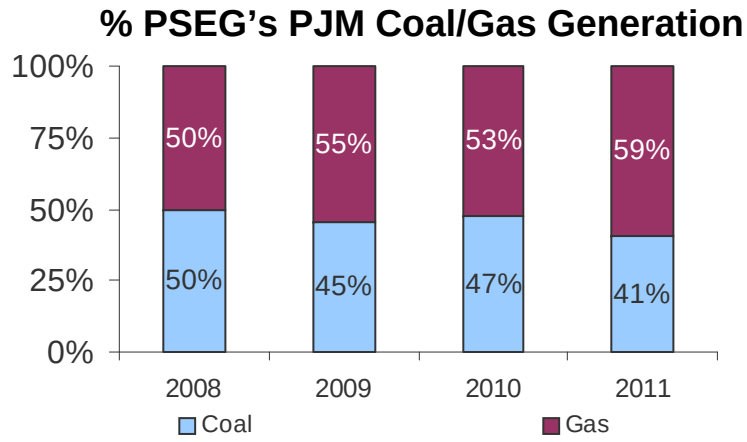
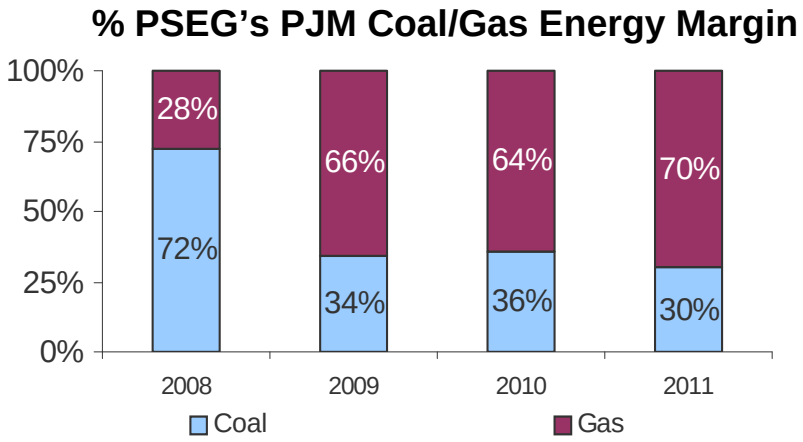
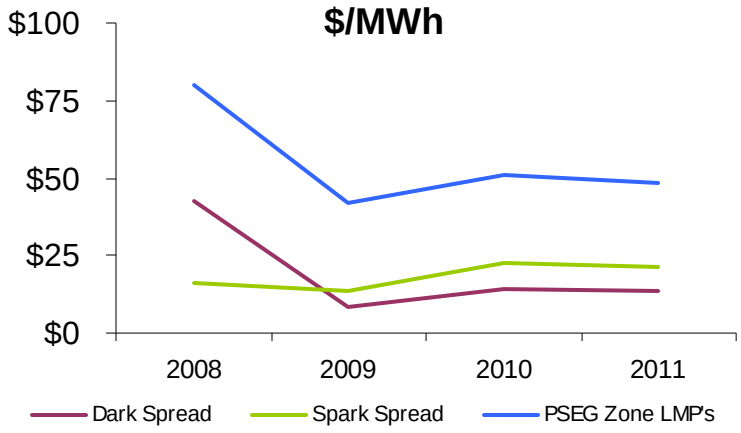
Maximizing the dispatch of our coal and gas fleet to maintain unit margins







- Market prices have declined since 2008
- Although dark spreads have declined, spark spreads have increased
- Since 2008 there has been active coal/gas switching in our fleet
- Coal generation and margin percentage have been replaced by our combined cycle output

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The EPA is in the process of implementing Clean Air Act rules which will impact supply

Region	Total Capacity (GW)	Total Coal Capacity (GW)	Unscrubbed Capacity (GW)	Announced Coal Retirements (GW)	Announced Coal Retirements (as % of total)
PJM	180	79	30	14	8%
NY ISO	37	2.6	0.6	0.3	1%
ISO-NE	32	2.8	2.1	0.4	1%
U.S. Total	1,036	320	129	42	4%

Source: MJB&A Tracking, Ventyx Velocity, EPA NEEDS v4.10, PJM, NYISO, ISO-NE. As of 2/29/2012.

Cross State Air Pollution Rule (CSAPR)

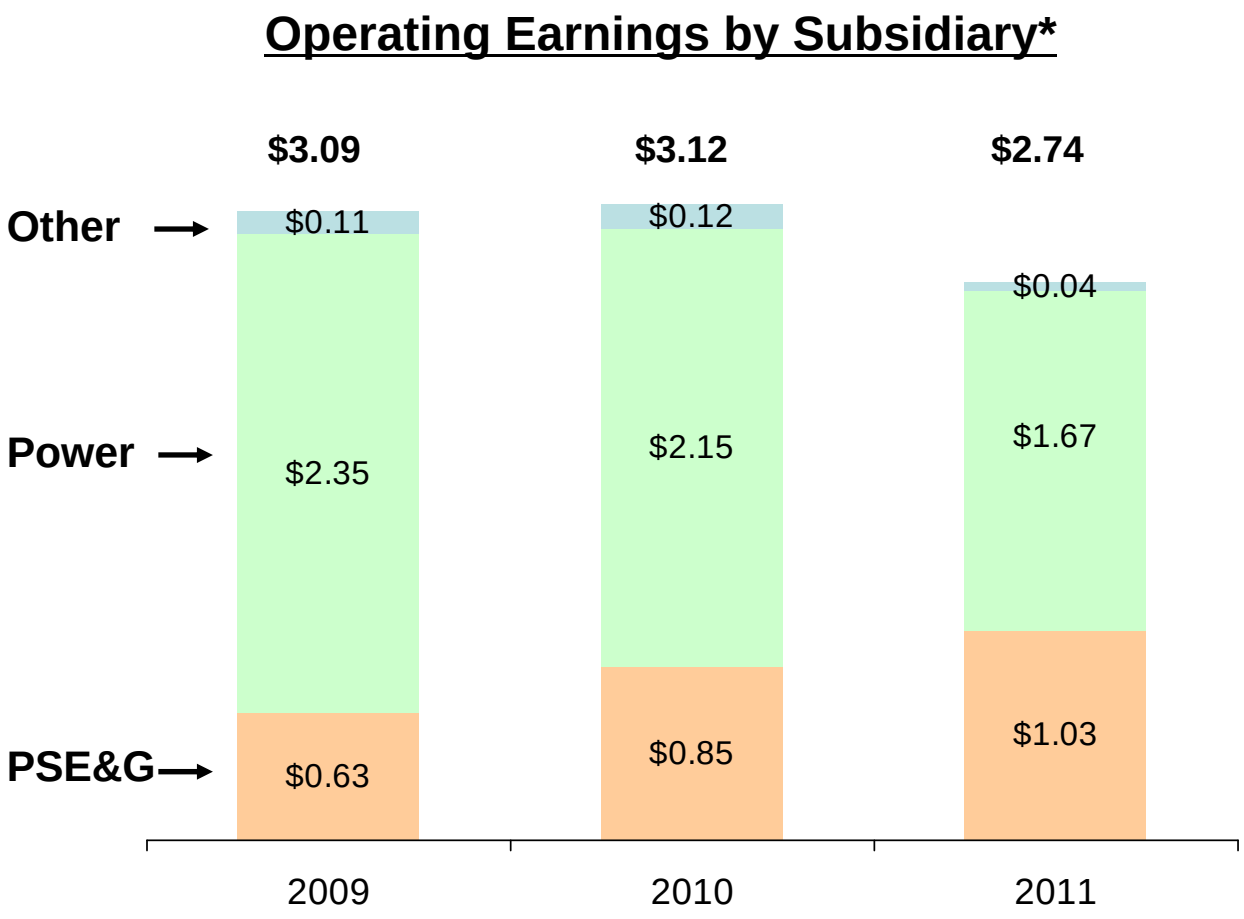
- Final rule issued July 2011, having effective date January 2012
- Rule would institute new, more stringent trading program for NO_x and SO_2 emissions
- US DC Circuit Court ruled to stay implementation on 12/30/11 pending judicial review
- Final decision expected Summer 2012

Mercury and Air Toxics Standards (MATS)

- Final rule released December 2011
- Will require coal and oil-fired units to meet strict emissions limits, or retire
- Effective early 2015; provides case-by-case extensions where needed to comply

Note: PJM totals do not include ATSI and DEOK regions; announced retirement totals inclusive of retirements from 1/1/2010.

Our business mix has changed with PSE&G growing from 20% to 38% of operating earnings



*See page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings; All periods reflect Texas in Discontinued Operations.

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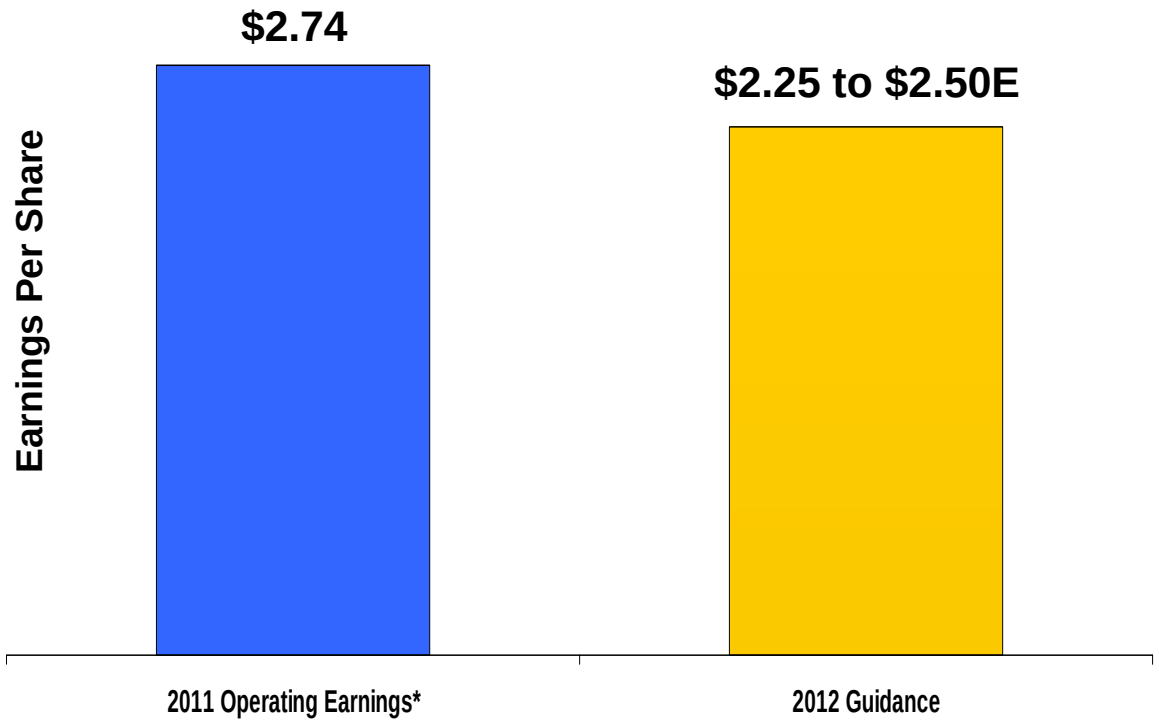
Our 2012 earnings guidance is influenced by a decline in energy prices and increased investment at PSE&G

2012 Operating Earnings Forecast

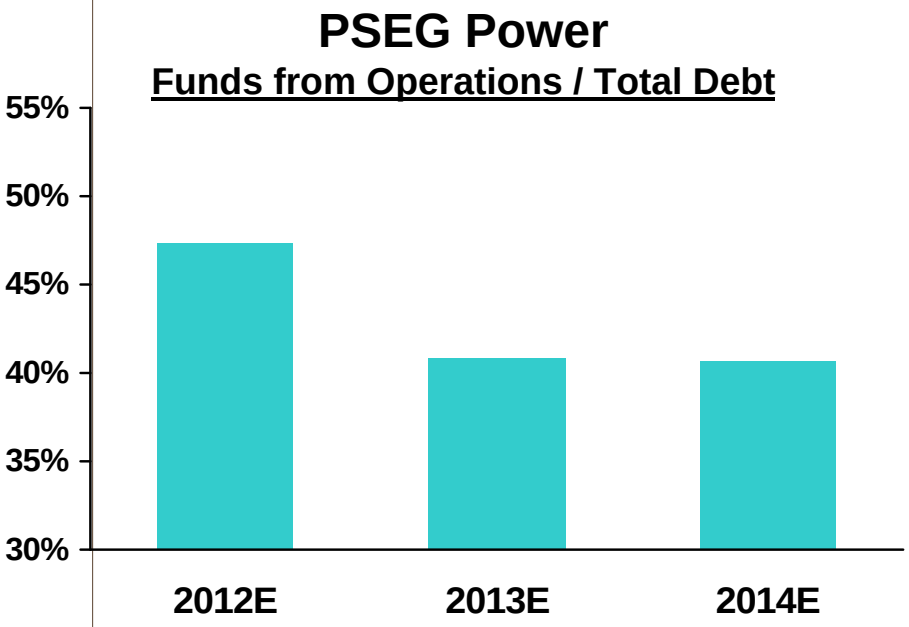


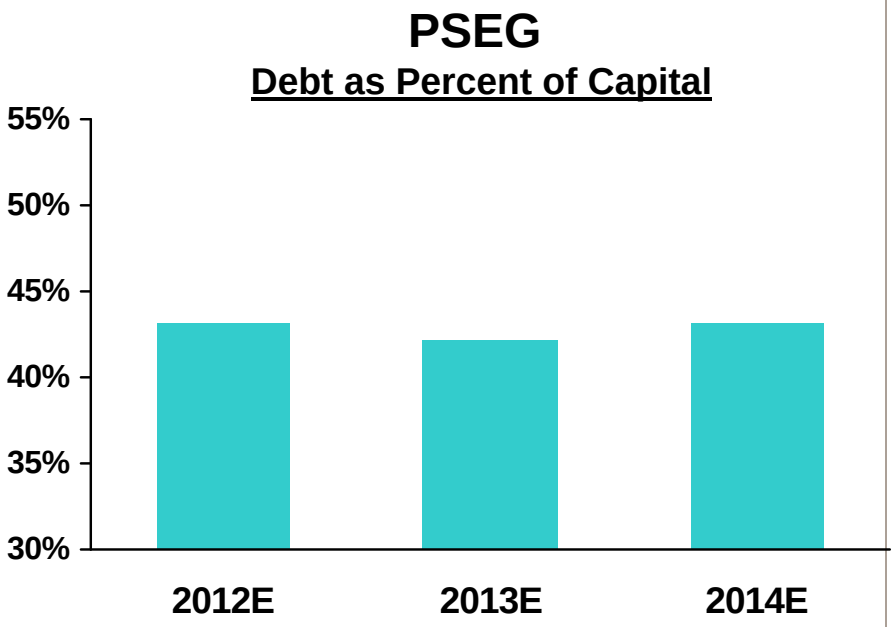
Opportunities beyond 2012 to create long-term value include:

- New Reliability Based Transmission
- Solar 4 All Extension
- Energy Efficiency
- Gas Infrastructure
- New Build at Power
- Holdings Solar
- Future Dividend Growth

*See page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings; All periods reflect Texas in Discontinued Operations. E=Estimate.

A solid financial strategy – balance sheet strength to direct investments to the areas of greatest growth and value potential

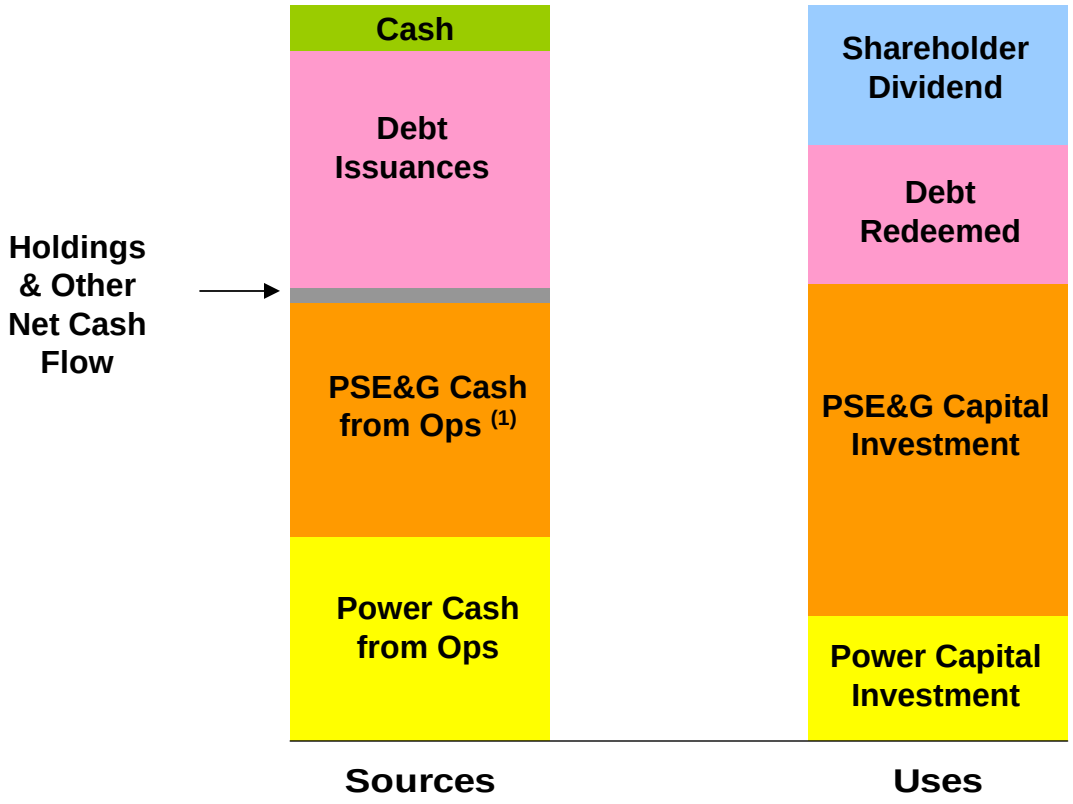




- Credit metrics remain above our floor levels, notwithstanding near-term power market expectations
- Investment Capacity exceeds $700 million in all years even with large capital expenditures at PSE&G
- PSEG maintains its capital structure throughout the forecast period

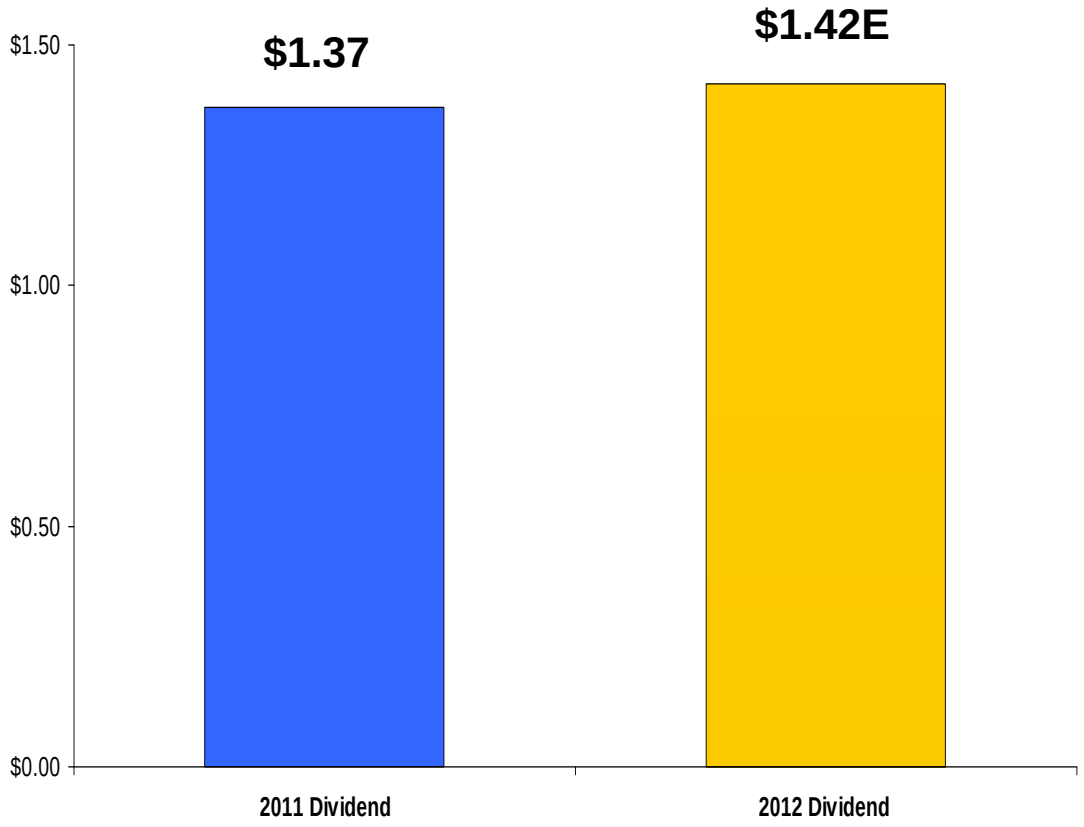
PSEG's strong credit profile provides the financial flexibility for a range of ~$750M to >$1B of capital allocation options depending upon business mix and return profile

2012-2014E PSEG Sources & Uses



(1) PSE&G Cash from Operations adjusts for securitization principal repayments of ~$680M in 2012-2014. E=Estimate.

Dividend growth based on greater and increasing earnings contribution from stable, regulated business



Modest and Sustainable Dividend Growth Consistent With Stable Regulated Growth and Cash Generation Outlook at PSEG Power

*See page A for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings; All periods reflect Texas in Discontinued Operations. E=Estimate.

PSEG Value Proposition

Operating Excellence	•**Clean, low cost Nuclear, CCGT, and Coal generating fleet** •**Large, reliable electric and gas distribution operations**
Regulatory/ Market Drivers	•**Energy markets in midst of transformational change** – Environmental compliance costs and low natural gas prices to force retirements of 11 to 25 GW of existing generation in PJM – Infrastructure upgrades/reliability requirements driving regulated investment •**PSEG in position to benefit from higher market prices for power and 13% CAGR in regulated rate base**
Financial Strength	•**Strong balance sheet provides flexibility and liquidity to finance growth opportunities** •**Meaningful 2012 dividend increase and revised dividend policy**
Disciplined Investment	•**Management long-term incentive leveraged to shareholder value creation**

The business of PSEG: The events of 2011 illustrate what our strategy means for employees, customers and the communities we serve

People providing Safe, Reliable, Economic and Green energy

PSEG

Items Excluded from Income from Continuing Operations to Reconcile to Operating Earnings

Reconciling Items Excluded from Continuing Operations to Compute Operating Earnings
(Unaudited)

Pro-forma Adjustments, net of tax	*For the Year Ended December 31,*			
	2011	*2010*	*2009*	*2008*
Earnings Impact ($ Millions)				
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	$ 50	$ 46	$ 9	$ (71)
Gain (Loss) on Mark-to-Market (MTM) (PSEG Power)	107	(1)	(11)	14
Lease Transaction Losses (Energy Holdings)	(173)	-	29	(490)
Market Transition Charge Refund (PSE&G)	-	(72)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	34	-	-	(13)
Total Pro-forma adjustments	**$ 18**	**$ (27)**	**$ 27**	**$ (560)**
Fully Diluted Average Shares Outstanding (in Millions)	**507**	**507**	**507**	**508**
Per Share Impact (Diluted)				
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	$ 0.10	$ 0.09	$ 0.02	$ (0.14)
Gain (Loss) on MTM (PSEG Power)	0.21	-	(0.02)	0.03
Lease Transaction Loss (Energy Holdings)	(0.34)	-	0.05	(0.96)
Market Transition Charge Refund (PSE&G)	-	(0.14)	-	-
Gain (Loss) on Asset Sales and Impairments (Energy Holdings)	0.06	-	-	(0.03)
Total Pro-forma adjustments	**$ 0.03**	**$ (0.05)**	**$ 0.05**	**$ (1.10)**

Please see Page 2 for an explanation of PSEG's use of Operating Earnings as a non-GAAP financial measure and how it differs from Net Income.