



PSEG

Public Service Enterprise Group

PSEG Earnings Conference Call

3rd Quarter 2014

October 30, 2014

Forward-Looking Statement

Certain of the matters discussed in this report about our and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects, consequences and all other statements that are not purely historical constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. 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. Factors that may cause actual results to differ are often presented with the forward-looking statements themselves. Other factors that could cause actual results to differ materially from those contemplated in any forward-looking statements made by us herein are discussed in filings we make with the United States Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K and available on our website: <http://www.pseg.com>. These factors include, but are not limited to:

- adverse changes in the demand for or the 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, capacity market design, transmission planning and cost allocation rules, including how transmission projects are 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 and enforcement 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 manage our energy obligations, available supply and risks,
- adverse outcomes of any legal, regulatory or other proceeding, settlement, investigation or claim applicable to us and/or the energy industry,
- any deterioration in our credit quality or the credit quality of our counterparties,
- availability of capital and credit at commercially reasonable terms and conditions and our ability to meet cash needs,
- 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,
- any equipment failures, accidents, severe weather events or other incidents that impact our ability to provide safe and reliable service to our customers, and any inability to obtain sufficient insurance coverage or recover proceeds of insurance with respect to such events,
- acts of terrorism, cybersecurity attacks or intrusions that could adversely impact our businesses,
- increases in competition in energy supply markets as well as competition for certain transmission projects,
- any inability to realize anticipated tax benefits or retain tax credits,
- 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 funding requirements,
- changes in technology, such as distributed generation and micro grids, and greater reliance on these technologies, and
- changes in customer behaviors, including increases in energy efficiency, net-metering and demand response.

All of the forward-looking statements made in this report are qualified by these cautionary statements and we cannot assure you that the results or developments anticipated by management will be realized or even if realized, will have the expected consequences to, or effects on, us or our business prospects, financial condition or results of operations. Readers are cautioned not to place undue reliance on these forward-looking statements in making any investment decision. Forward-looking statements made in this report apply only as of the date of this report. While we may elect to update forward-looking statements from time to time, we specifically disclaim any obligation to do so, even if internal estimates change, unless otherwise required by applicable securities laws.

The forward-looking statements contained in this report are intended to qualify for the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted 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 slide in this presentation includes a list of items excluded from Net Income to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

These materials and other financial releases can be found on the pseg.com website under the investor tab, or at <http://investor.pseg.com/>

PSEG 2014 Q3 Review

**Ralph Izzo
Chairman, President and Chief Executive Officer**

Q3 Earnings Summary

Quarter ended September 30

\$ millions (except EPS)	2014	2013
Operating Earnings	\$ 393	\$ 385
Reconciling Items, Net of Tax	51	5
Net Income	\$ 444	\$ 390
<i>EPS from Operating Earnings*</i>	\$ 0.77	\$ 0.76

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

Year to Date Earnings Summary

Nine months ended September 30

\$ millions (except EPS)	2014	2013
Operating Earnings	\$ 1,153	\$ 1,061
Reconciling Items, Net of Tax	(111)	(18)
Net Income	\$ 1,042	\$ 1,043
<i>EPS from Operating Earnings*</i>	\$ 2.27	\$ 2.09

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG – Q3 2014 Highlights

- **Operating Earnings of \$0.77 vs. \$0.76 per share in Q3 2013**
 - ✓ Delivered solid results in the quarter as PSE&G's continuing investment in transmission drove results
 - ✓ Narrowed 2014 full-year, operating earnings guidance to \$2.60-\$2.75 per share, from \$2.55-\$2.75 per share prior

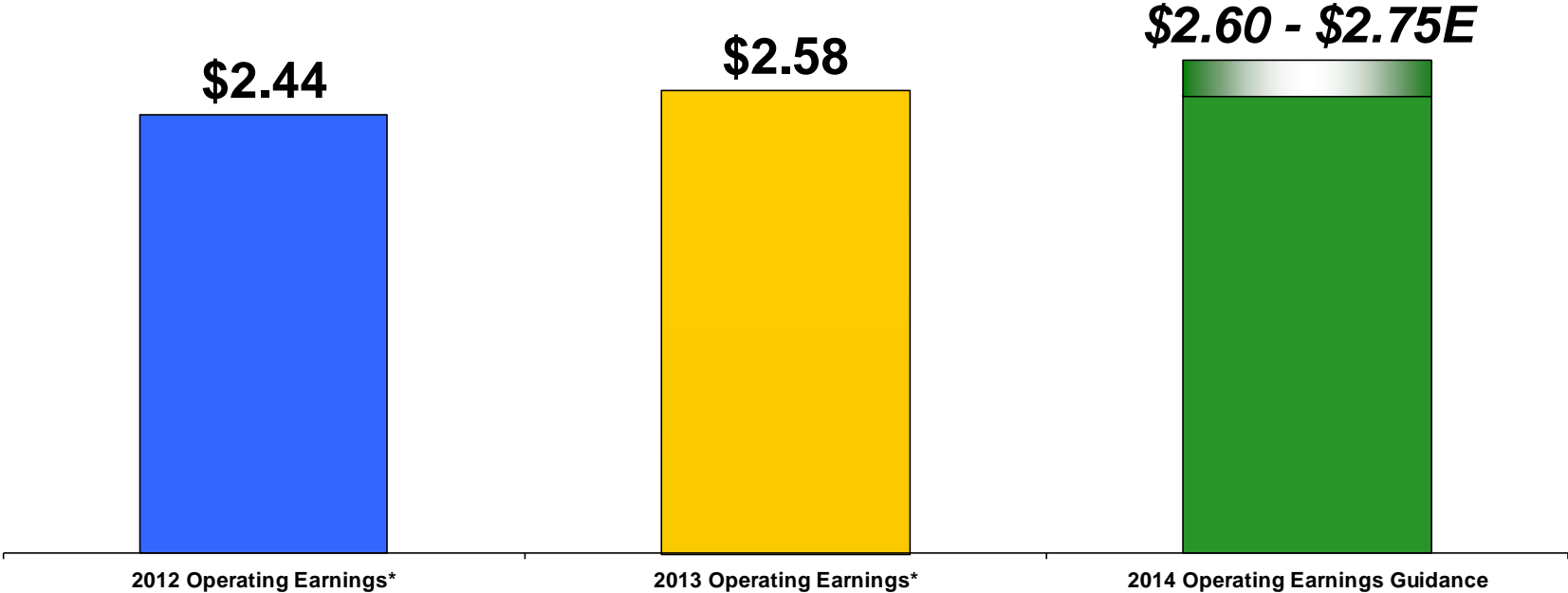
- **Executing on operational goals**
 - ✓ Continued control of O&M supports full-year expectations
 - ✓ Generation increase of 4% – with increased availability

- **Executing on our on our capital program**
 - ✓ Transmission program of \$6.8 billion continues on schedule and on budget
 - ✓ Energy Strong investment underway – gas mains replacement prioritized
 - ✓ Power announced a new \$100-\$120 million investment in the PennEast Pipeline project

- **Market developments**
 - ✓ PJM proposed changes on Capacity Performance, Demand Curve Adjustment and pending Demand Response (DR) issues supportive of price formation
 - ✓ PJM decision on FERC 1000 Artificial Island solution expected early 2015
 - ✓ Updated PSEG-Long Island “Utility 2.0” filing submitted to NY regulators

PSEG – 2014 Another Year of Growth

2014 operating earnings guidance narrowed; forecast full-year at upper end of range, assuming normal weather and unit operations for rest of year



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

PSEG

2014 Q3 Operating Company Review

Caroline Dorsa

EVP and Chief Financial Officer

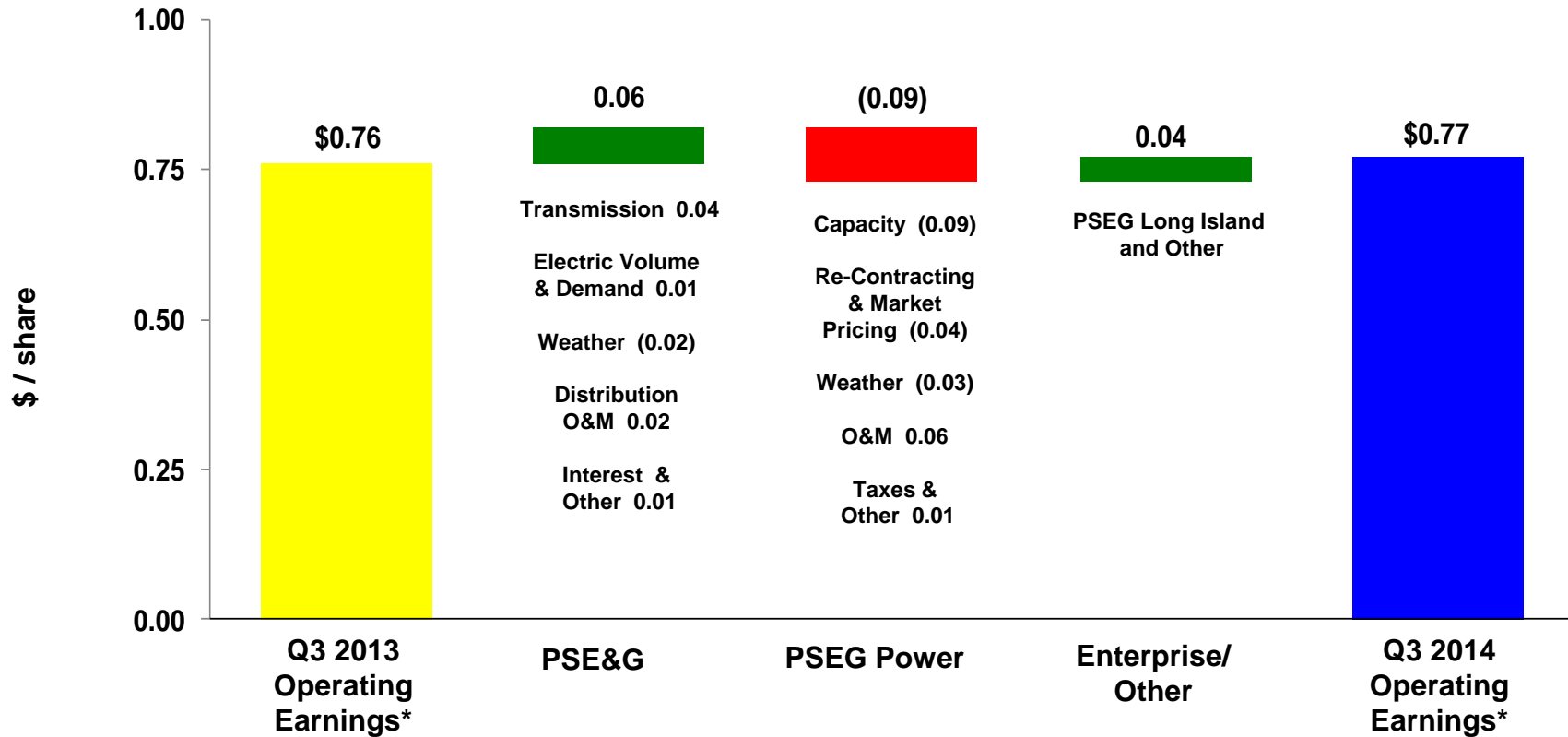
Q3 Operating Earnings by Subsidiary

Quarter ended September 30

	Operating Earnings		Earnings per Share	
\$ millions (except EPS)	2014	2013	2014	2013
PSE&G	\$ 200	\$ 168	\$ 0.39	\$ 0.33
PSEG Power	171	221	0.34	0.43
PSEG Enterprise/Other	22	(4)	0.04	-
<i>Operating Earnings*</i>	\$ 393	\$ 385	\$ 0.77	\$ 0.76

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Q3 2014 versus Q3 2013



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

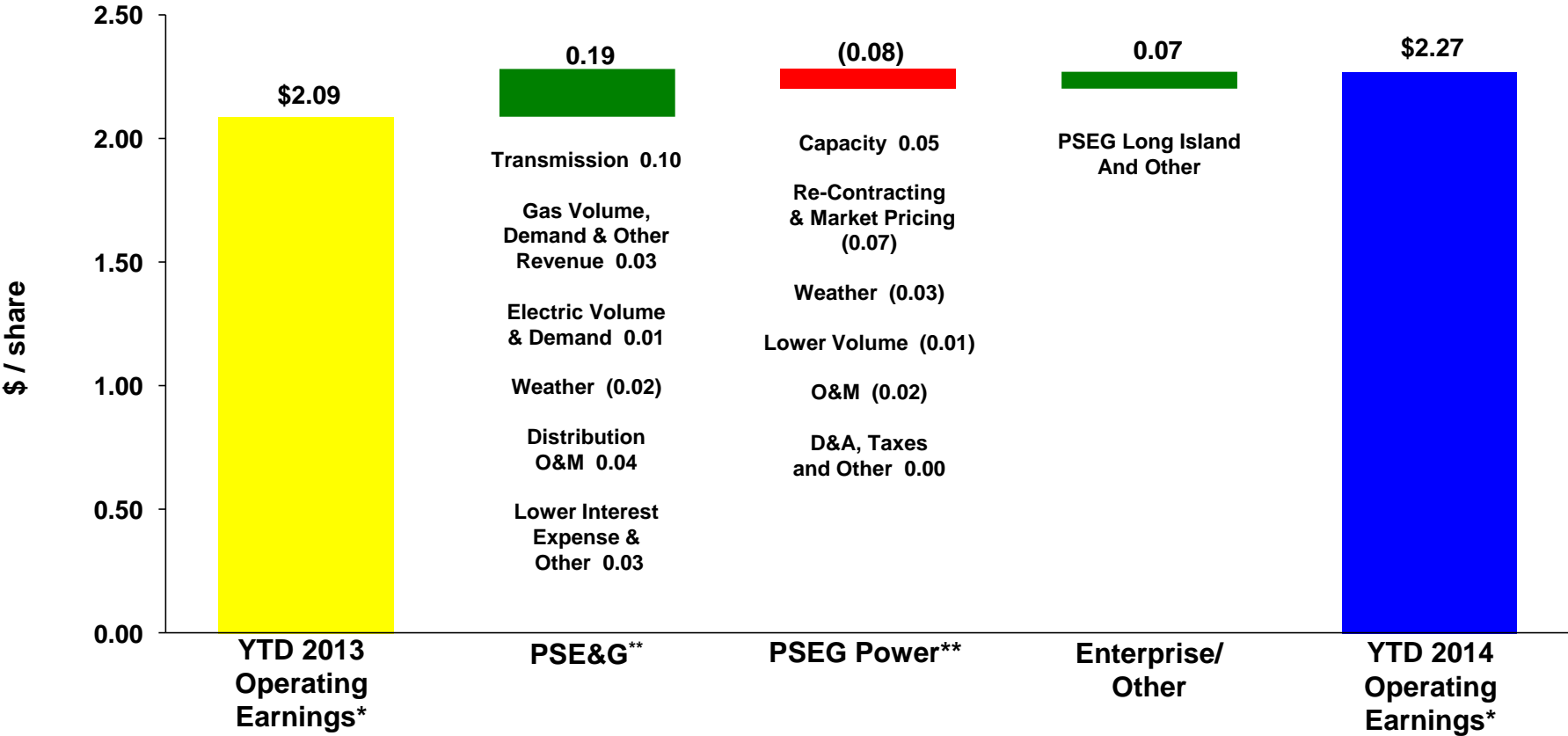
Year to Date Operating Earnings by Subsidiary

Nine months ended September 30

	Operating Earnings		Earnings per Share	
\$ millions (except EPS)	2014	2013	2014	2013
PSE&G	\$ 565	\$ 468	\$ 1.11	\$ 0.92
PSEG Power	551	595	1.09	1.17
PSEG Enterprise/Other	37	(2)	0.07	-
<i>Operating Earnings*</i>	\$ 1,153	\$ 1,061	\$ 2.27	\$ 2.09

•See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

PSEG EPS Reconciliation – YTD 2014 versus YTD 2013



* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

** Prior quarter results for reconciling items may not add to year-to-date (YTD) totals due to rounding.

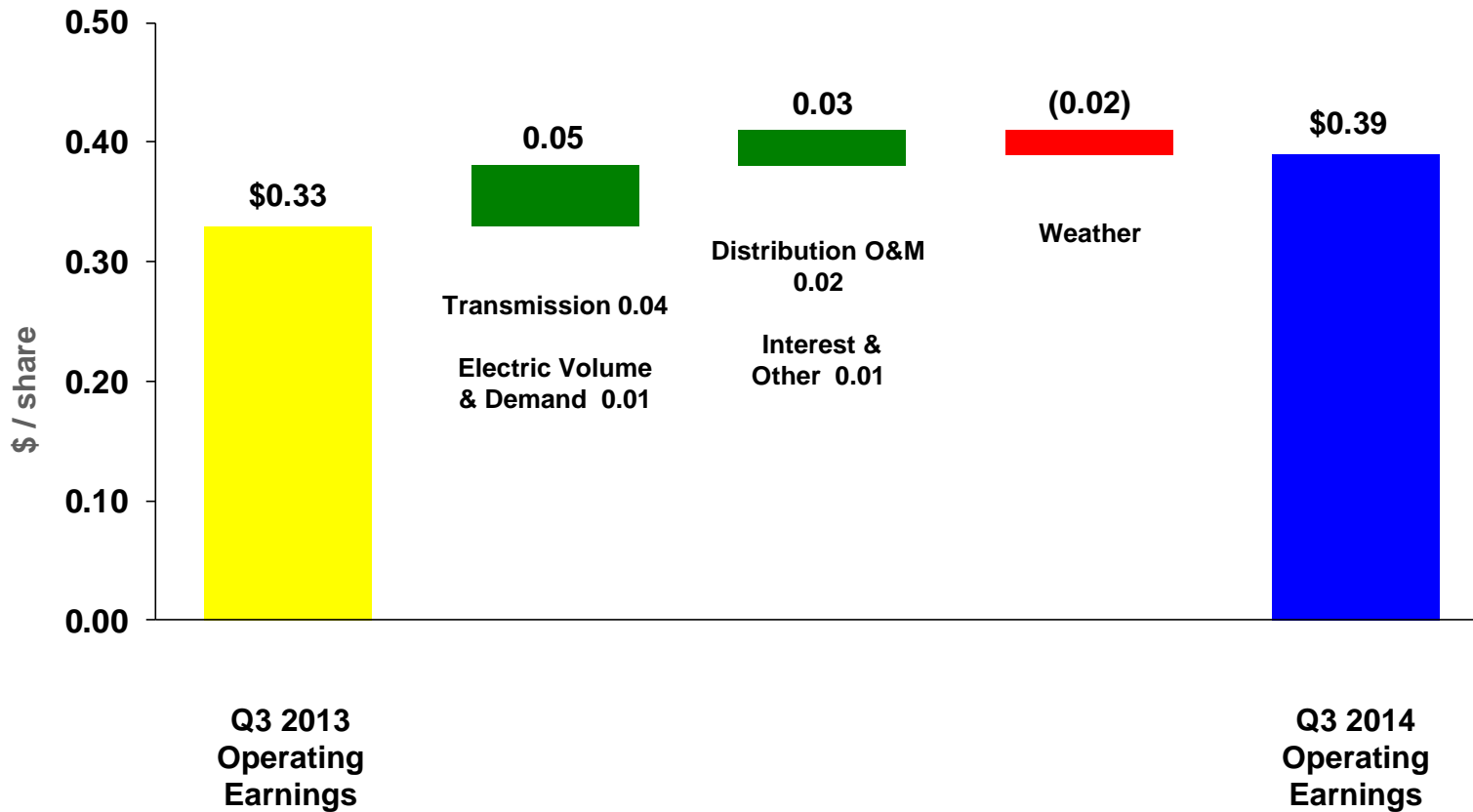
PSE&G

2014 Q3 Review

PSE&G – Q3 Earnings Summary

\$ millions (except EPS)	Q3 2014	Q3 2013	Variance
Operating Revenues	\$ 1,655	\$ 1,666	(11)
Operating Expenses			
Energy Costs	668	661	7
Operation & Maintenance	366	408	(42)
Depreciation & Amortization	238	236	2
Taxes Other than Income Taxes	-	15	(15)
Total Operating Expenses	1,272	1,320	(48)
Operating Earnings / Net Income	\$ 200	\$ 168	32
<i>EPS from Operating Earnings</i>	\$ 0.39	\$ 0.33	\$ 0.06

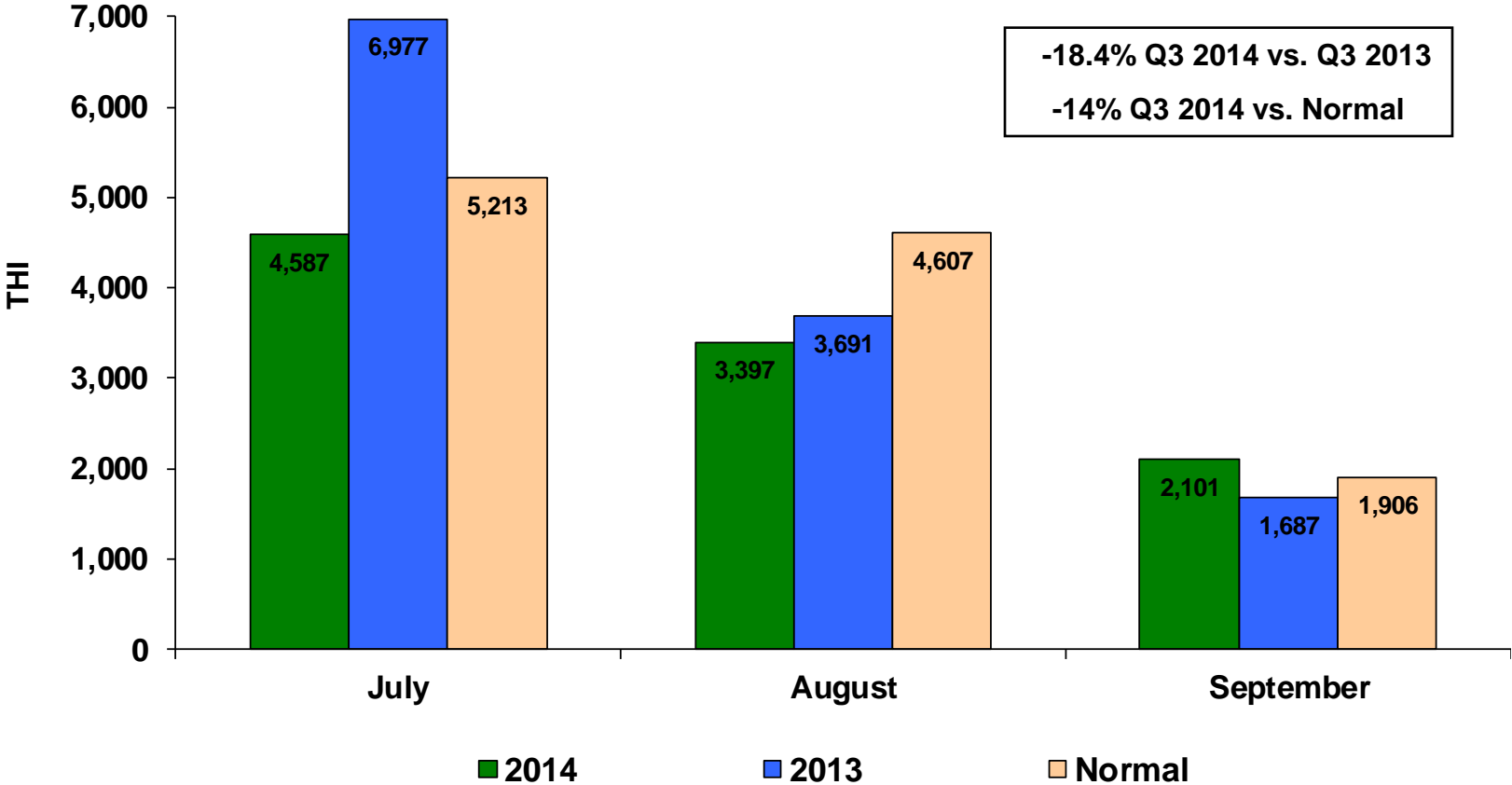
PSE&G EPS Reconciliation – Q3 2014 versus Q3 2013



PSE&G – Monthly Summer Weather Data

PSE&G Monthly Temperature Humidity Index (THI)

2014 vs. 2013 vs. Normal



PSE&G – Q3 Operating Highlights

Operations

- ✓ Weather in Q3 2014 was 18% cooler than Q3 2013 and 14% cooler than normal
- ✓ Transmission revenues added \$0.04 per share over Q3 2013
- ✓ O&M remains under control

Regulatory and Market Environment

- ✓ Transmission projects on schedule and on budget
- ✓ Energy Strong investments underway: Gas mains replacement prioritized
- ✓ 2015 FERC Formula Rate filing submitted
- ✓ PSE&G lowered gas rates by 9% on 10/1; Additional BGSS rate credits to be implemented Nov 2014 to Jan 2015 – expected to further reduce winter heating bills
- ✓ Filed Energy Efficiency Ext II program with BPU for ~\$100 million; early 2015 decision expected
- ✓ BPU approved settlement finding \$366 million of 2010-2012 storm cost expenditures to be prudent: \$126 million of capital costs and \$240 million of O&M expenditures to be recoverable in a future rate case
- ✓ New NJBPU President Mroz (R) and Commissioner Chivukula (D) confirmed by NJ Senate

Financial

- ✓ PSE&G earned its authorized return
- ✓ Issued \$250 million of secured MTNs (due 2019) and \$250 million secured MTNs (due 2024); Retired \$500 million of debt maturities in Q3

PSEG Power 2014 Q3 Review

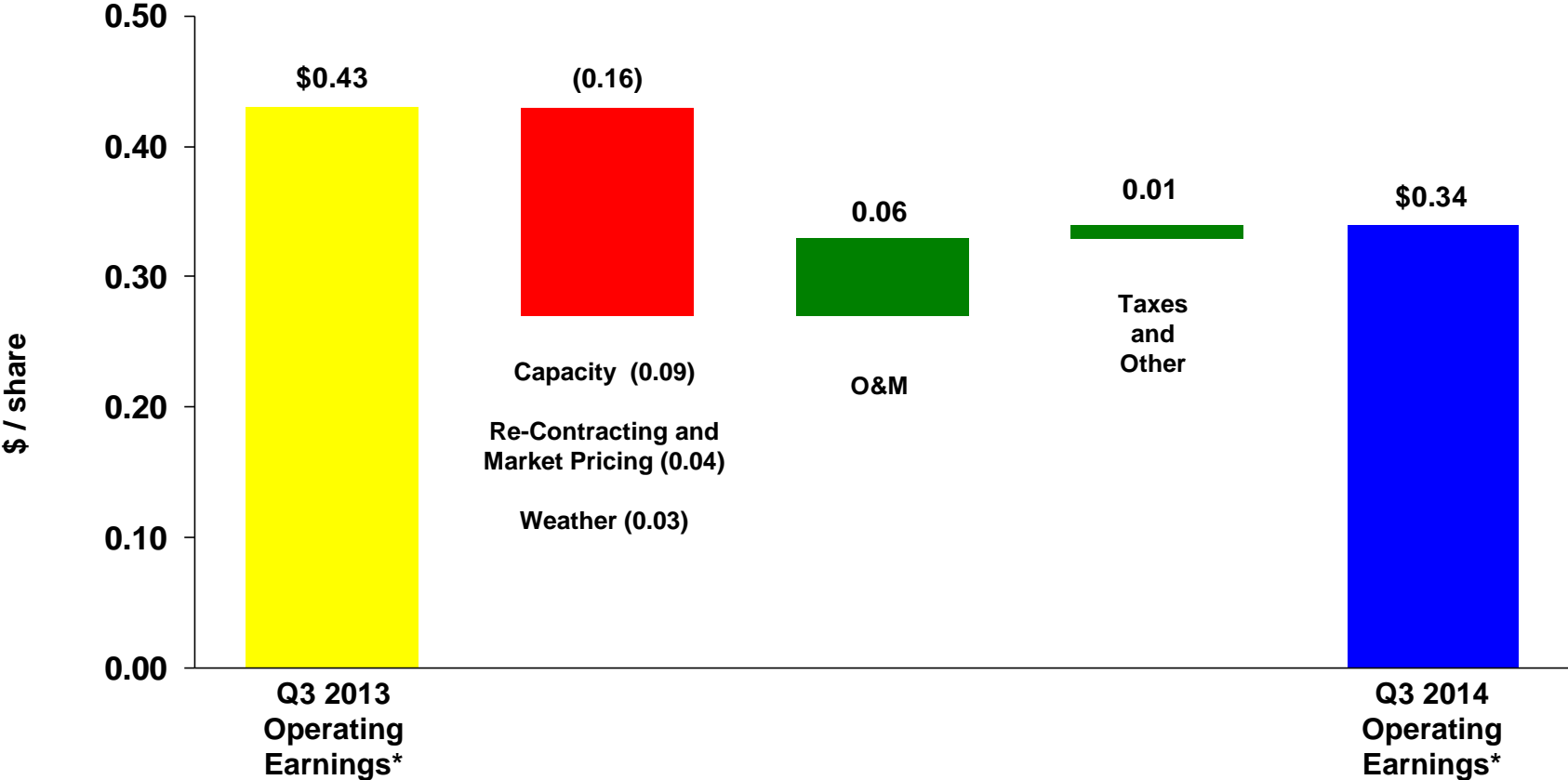
PSEG Power – Q3 Earnings Summary

\$ millions (except EPS)	Q3 2014	Q3 2013	Variance
Operating Revenues	\$ 1,138	\$ 1,174	\$ (36)
Operating Earnings	171	221	(50)
Reconciling Items, Net of Tax**	51	5	46
Net Income	222	226	(4)
<i>EPS from Operating Earnings*</i>	\$ 0.34	\$ 0.43	\$ (0.09)

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings.

**Includes the financial impact from positions with forward delivery months.

PSEG Power EPS Reconciliation – Q3 2014 versus Q3 2013

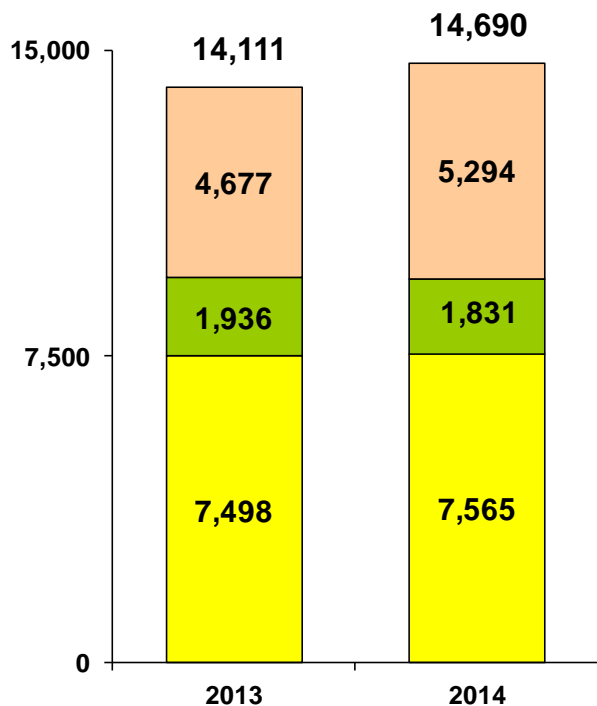


* See Slide A for Items excluded from Income from Net Income to reconcile to Operating Earnings.

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Quarter ended September 30



Total Nuclear



Total Coal*



Oil & Natural Gas

PSEG Power – Capacity Factors (%)

Quarter ended September 30

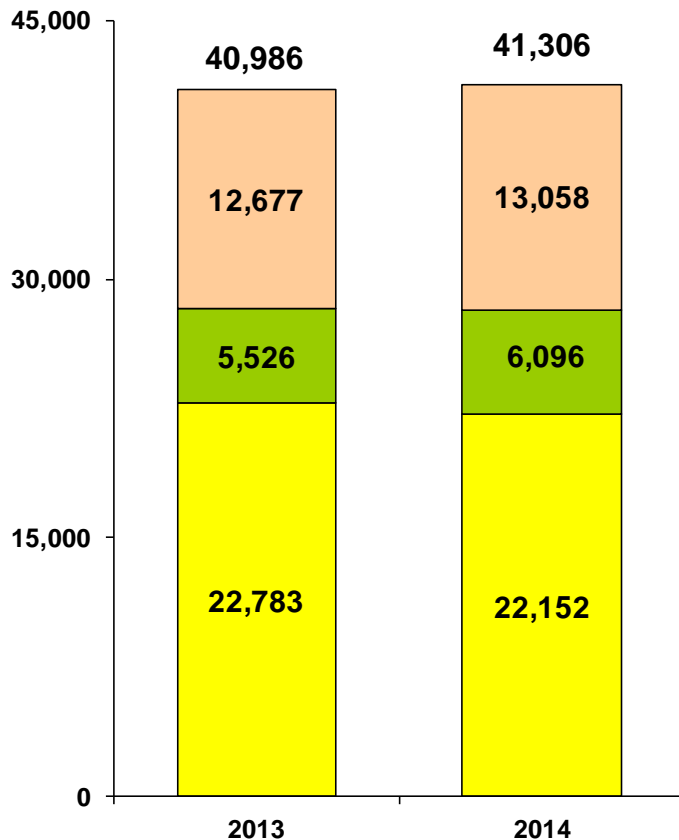
	2013	2014
Combined Cycle		
PJM and NY	60.4%	67.5%
Coal		
NJ (Coal/Gas)	16.3%	21.5%
PA	83.1%	71.8%
CT	11.6%	5.3%
Nuclear	91.0%	92.0%

* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Nine Months ended September 30



Total Nuclear

Total Coal*

Oil & Natural Gas

PSEG Power – Capacity Factors (%)

Nine Months ended September 30

	2013	2014
Combined Cycle		
PJM and NY	57.0%	54.7%
Coal*		
NJ (Coal/Gas)	14.2%	18.6%
PA	79.4%	78.1%
CT	16.6%	27.1%
Nuclear	93.2%	90.8%

* Includes figures for Pumped Storage. Includes Hudson and Mercer when run on gas.

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

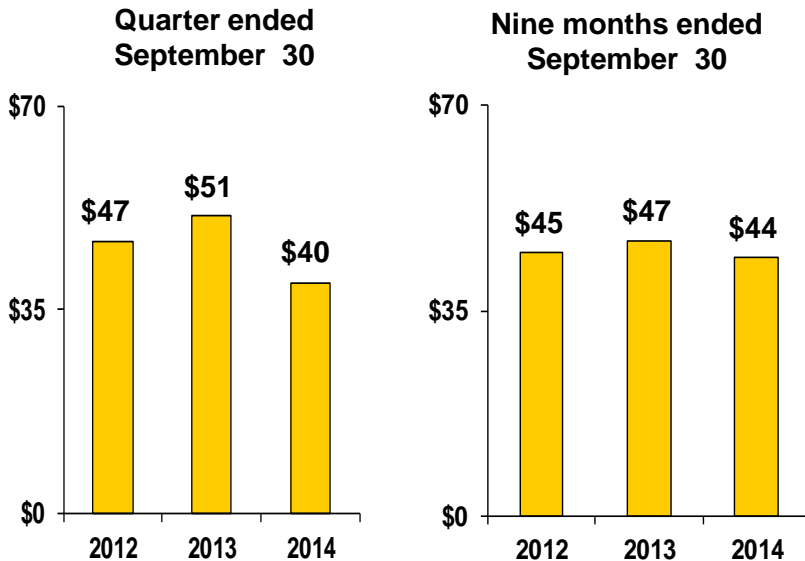
	Quarter ended September 30	
(\$ millions)	2013	2014
Coal	45.1	42.2
Oil & Gas	146.1	139.5
Total Fossil	191.2	181.7
Nuclear	56.5	53.2
Total Fuel Cost	247.7	234.9
Total Generation (GWh)	14,111	14,690
\$ / MWh	17.55	15.99

	Nine months ended September 30	
(\$ millions)	2013	2014
Coal	141.3	169.7
Oil & Gas	483.8	623.4
Total Fossil	625.1	793.1
Nuclear	166.6	161.9
Total Fuel Cost	791.7	955.0
Total Generation (GWh)	40,986	41,306
\$ / MWh	19.32	23.12

PSEG Power – Gross Margin Performance

- ✓ Capacity pricing reset to \$166/MW-day on June 1, to remain stable over multi-year period
- ✓ Mild summer weather weighed on spot market prices
- ✓ Lower spark spreads compared with Q3 2013

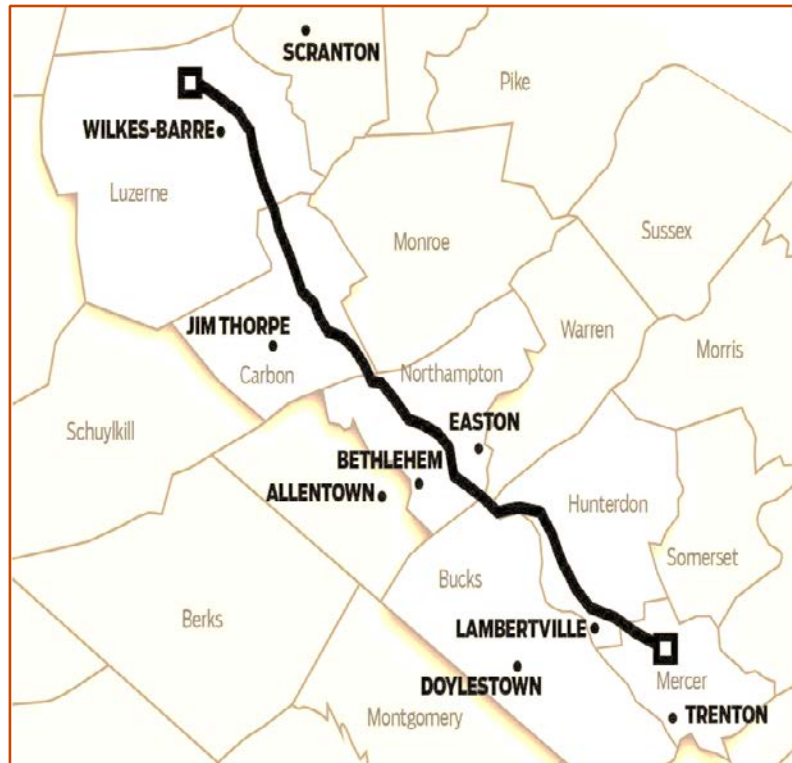
PSEG Power Gross Margin (\$/MWh)



Regional Performance		
Region	Q3 2014 Gross Margin (\$M)	2014 Performance
PJM	\$537	Decline in capacity prices and hedged energy prices
New England	\$20	Lower volume
New York	\$24	Increased volume

PSEG Power expanding supply of low-cost Marcellus gas

Proposed PennEast Pipeline Project



- ❖ PSEG plans to invest \$100-\$120 million in the to-be-constructed PennEast Pipeline, a 105.5 mile pipeline that would bring gas from eastern Pennsylvania to New Jersey
- ❖ PSEG ER&T would contract for approximately 125mmcf/day of PennEast's 1 bcf/day capacity under a 15-year contract; other project sponsors have committed to offtake ~500mmcf/day
- ❖ PSEG and its customers would benefit from the displacement of higher-cost, Gulf Coast gas supply
- ❖ Targeted in-service date is November 2017

Hedging Update...

Contracted Energy*

		Oct-Dec 2014	2015	2016
Base Load (Nuclear and Base Load Coal)	Volume TWh	8	36	36
	% Hedged	100%	100%	55-60%
	Price \$/MWh	\$49	\$50	\$49
Intermediate Coal, Combined Cycle, Peaking	Volume TWh	5	21	21
	% Hedged	50-55%	5-10%	0%
	Price \$/MWh	\$49	\$50	\$49
Total	Volume TWh	13	55-57	55-57
	% Hedged	80-85%	65-70%	35-40%
	Price \$/MWh	\$49	\$50	\$49

* Hedge percentages and prices as of September 30, 2014. Revenues of full requirement load deals based on contract price, including renewable energy credits, ancillary, and transmission components but excluding capacity. Hedges include positions with MTM accounting treatment and options.

PSEG Power – Q3 2014 Operating Highlights

Operations

- ✓ Q3 output up 4% from Q3 2013
- ✓ YTD nuclear capacity factor was 91%; Q3 capacity factor was 92%
- ✓ Salem 1 refueling outage underway
- ✓ CCGT capacity factor improved 7% from Q3 2013

Regulatory and Market Environment

- ✓ PJM active on ensuring future reliability: Capacity Performance proposal, review of DR participation in energy markets, and revision of demand (VRR) curve – all supportive of price formation
- ✓ Average hedge price for 2014 is \$48/MWh vs. \$50/MWh for 2013

Financial

- ✓ New \$600 million, 450 MW CCGT at Bridgeport Harbor under consideration
- ✓ Announced \$100-\$120 million PennEast Pipeline investment
- ✓ Power's total debt as a percentage of capital at September 30 was 32%
- ✓ Power has been verbally notified by the FERC staff that they have initiated a preliminary, non-public staff investigation into the matters surrounding the errors discovered by Power in certain of its cost based bids

PSEG

PSEG Financial Highlights

- **2014 operating earnings guidance narrowed to \$2.60 - \$2.75 per share**
 - ✓ Focused on maintaining operating efficiency and customer reliability
 - ✓ PSE&G's operating earnings on track to grow at double-digit rate in 2014
- **PSE&G transmission investment program continues on-track and on-budget**
- **Financial position remains strong**
 - ✓ Positive cash from Power and increasing cash flow from PSE&G supports dividend growth and funds capital spending program without the need to issue equity
 - ✓ Debt as a percentage of capital was 42% at September 30
- **Long history of returning cash to the shareholder through the common dividend, with opportunity for future growth**

PSEG 2014 Operating Earnings Guidance - By Subsidiary

\$ millions (except EPS)	2014E	2013	2012
PSE&G	\$710 – \$745	\$612	\$528
PSEG Power	\$575 – \$610	\$710	\$663
PSEG Enterprise/Other	\$35 – \$40	\$(13)	\$45
<i>Operating Earnings*</i>	\$1,320 – \$1,395	\$1,309	\$1,236
<i>Earnings per Share</i>	\$2.60 – \$2.75	\$2.58	\$2.44

* See Slide A for Items excluded from Net Income to reconcile to Operating Earnings. E = Estimate.

PSEG Liquidity as of September 30, 2014

Company	Facility	Expiration Date	Total Facility	Usage (\$Millions)	Available Liquidity
PSE&G	5-year Credit Facility	Mar-18	\$600 ¹	\$14	\$586
PSEG / Power	5-Year Credit Facility (Power)	Apr-19	\$1,600	\$76	\$1,524
	5-Year Credit Facility (Power)	Mar-18	\$1,000 ²	\$0	\$1,000
	5-Year Bilateral (Power)	Sep-15	\$100	\$100	\$0
	5-year Credit Facility (PSEG)	Apr-19	\$500	\$8	\$492
	5-year Credit Facility (PSEG)	Mar-18	\$500 ³	\$0	\$500
	Total		\$4,300	\$198	\$4,102
				PSEG Money Pool ST Investment	\$374
				PSE&G ST Investment	\$293
Total Liquidity Available					\$4,769
Total Parent / Power Liquidity					\$3,890

1 PSE&G Facility to be reduced by \$29M on April 15, 2016

2 Power Facility to be reduced by \$48M on April 15, 2016

3 PSEG Facility to be reduced by \$23M on April 15, 2016

Items Excluded from Net Income to Reconcile to Operating Earnings

PUBLIC SERVICE ENTERPRISE GROUP INCORPORATED

Reconciling Items, net of tax	Three Months Ended September 30,		Nine Months Ended September 30,		Year Ended December 31,	
	2014	2013	2014	2013	2013	2012
<u>Earnings Impact (\$ Millions)</u>	(Unaudited)					
Operating Earnings	\$ 393	\$ 385	\$ 1,153	\$ 1,061	\$ 1,309	\$ 1,236
Gain (Loss) on Nuclear Decommissioning Trust (NDT) Fund Related Activity (PSEG Power)	17	12	40	29	40	52
Gain (Loss) on Mark-to-Market (MTM) ^(a) (PSEG Power)	36	3	(138)	(22)	(74)	(10)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	36
Storm O&M, net of insurance recoveries (PSEG Power)	(2)	(10)	(13)	(25)	(32)	(39)
Net Income	<u>\$ 444</u>	<u>\$ 390</u>	<u>\$ 1,042</u>	<u>\$ 1,043</u>	<u>\$ 1,243</u>	<u>\$ 1,275</u>
Fully Diluted Average Shares Outstanding (in Millions)	507	508	507	507	508	507
<u>Per Share Impact (Diluted)</u>						
Operating Earnings	\$ 0.77	\$ 0.76	\$ 2.27	\$ 2.09	\$ 2.58	\$ 2.44
Gain (Loss) on NDT Fund Related Activity (PSEG Power)	0.04	0.02	0.08	0.06	0.08	0.10
Gain (Loss) on MTM ^(a) (PSEG Power)	0.07	0.01	(0.27)	(0.04)	(0.14)	(0.02)
Lease Related Activity (PSEG Enterprise/Other)	-	-	-	-	-	0.07
Storm O&M, net of insurance recoveries (PSEG Power)	(0.01)	(0.02)	(0.03)	(0.05)	(0.07)	(0.08)
Net Income	<u>\$ 0.87</u>	<u>\$ 0.77</u>	<u>\$ 2.05</u>	<u>\$ 2.06</u>	<u>\$ 2.45</u>	<u>\$ 2.51</u>

(a) Includes the financial impact from positions with forward delivery months.

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