



Annual Report 2010



*the* **PSEG** *advantage . . .*



*operationally efficient*



*financially sound*



*environmentally responsible*

# P S E G

## o v e r v i e w . . .

Public Service Enterprise Group (PSEG), a diversified energy holding company with approximately \$30 billion in assets, is one of the nation's leading wholesale energy producers and most reliable electric and gas transmission and delivery utilities.

### 2010 Financial Highlights

Dollars in millions, where applicable	2010	2009	% change
Total Revenues	\$ 11,793	\$ 12,035	-2
Income from Continuing Operations	\$ 1,557	\$ 1,594	-2
Pro Forma Operating Earnings (Non-GAAP)	\$ 1,584	\$ 1,567	1
Net Income	\$ 1,564	\$ 1,592	-2
Earnings Per Share-Diluted			
Income from Continuing Operations	\$ 3.07	\$ 3.14	-2
Pro Forma Operating Earnings (Non-GAAP)	\$ 3.12	\$ 3.09	1
Net Income	\$ 3.08	\$ 3.14	-2
Weighted average common stock shares outstanding (thousands)			
Diluted	507,045	507,064	0
Dividends Paid per Share	\$ 1.37	\$ 1.33	3
Book Value per Share – Year-end	\$ 19.04	\$ 17.37	10
Market Price per Share – Year-end	\$ 31.81	\$ 33.25	-4
Total Assets	\$ 29,909	\$ 28,678	4

Note: Pro Forma Operating Earnings in 2010 exclude the net after-tax gains for NDT Fund related activity of \$46 million, or \$0.09 per share, net mark-to-market losses of \$1 million, or \$0.00 per share, and an after-tax charge of \$72 million, or \$0.14 per share, for the Market Transition Charge refund. Operating Earnings in 2009 exclude the net after-tax gains for NDT Fund related activity of \$9 million, or \$0.02 per share, net mark-to-market losses of \$11 million, or \$0.02 per share and the net reversal of lease transaction reserves of \$29 million, or \$0.05 per share. PSEG believes that the non-GAAP financial measure "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help the shareholders understand performance trends.

The forward-looking statements about PSEG's expectations made throughout this report are based on information currently available and on reasonable assumptions. As noted in our Forward-Looking Statement disclaimer on the inside back cover of this report, we face a number of risks and uncertainties. Actual results could be materially different, as historical results are not necessarily indicative of future earnings. For more information, please refer to PSEG reports that are filed periodically with the Securities and Exchange Commission.

*Letter from the Chairman,  
President and Chief Executive Officer  
Ralph Izzo*



For PSEG, 2010 was a year of substantial accomplishment, despite weakness in the economy and a lower energy-price environment. Our employees supported our results through their ongoing focus on operational excellence and cost control. And, anchored by our financial strength, we continued to invest in attractive opportunities for growth yielding favorable risk-adjusted returns.

Overall, our businesses again generated strong cash flows and earnings. In 2010, we delivered operating earnings of \$3.12 per share, within the range of our guidance for the year.

In addition, we extended one of corporate America's longest records for paying dividends. PSEG and its predecessor companies have paid annual dividends for 104 years on an uninterrupted basis.

We remained a leader in demonstrating the power of utilities to advance society's goals for economic growth and clean energy. Moreover, we practiced what we preached by continuing to improve our own environmental footprint.

In short, **we enhanced the advantages we derive as an operationally efficient, financially sound and environmentally responsible energy company** – with a focus on reliable service through infrastructure improvements and a strong balance sheet to pursue new investments.

The ultimate PSEG advantage remains a highly skilled, diverse and engaged workforce that provides safe, reliable, economic and green energy. Thanks to our employees, we are closer to realizing our vision on the path to a brighter future.

This is not to say our path will be easy. Looking ahead, we are confronted by a difficult business environment. Our challenges include a slow economy that has dampened energy demand; lower energy prices driven by increased domestic natural gas

supplies; regulatory and political uncertainty, particularly in regard to environmental regulation; and subsidized intrusions on competitive markets in a number of states, including New Jersey.

Our strategy has served us well in good times and unsettled times. It is based on three pillars: operational excellence, financial strength and disciplined investment. We believe a relentless focus on these fundamentals is the best way to produce long-term value for customers and for shareholders.

## OPERATIONAL *e x c e l l e n c e . . .*

Operational excellence begins with safety first. In 2010, our employees had their safest year ever, adding to the remarkable progress that has made PSEG one of the industry's safest companies. We will continue to strive for an accident-free workplace.

In the same vein, we have proven capabilities in striving to assure reliability and protect service quality for our customers. At PSE&G, our regulated energy delivery utility, we aim to build on more than 100 years of leadership in providing safe, reliable electric and gas service to support our customers and communities across New Jersey. In 2010, PSE&G won its ninth consecutive Reliability One award as the most reliable electric utility in its region.

The men and women of PSE&G again rose to the occasion when needed most. Last March, New Jersey experienced a hurricane-like storm – the worst in our history in terms of outages. Our employees, assisted by crews from other utilities, worked day and night to safely restore over 600,000 electric customers within a week of the storm's blow. Several thousand gas customers were restored as floodwaters receded and it became safe for

our employees to enter their homes. Our strong commitment to our customers continued into 2011 as we withstood a relentless series of snow and ice storms this winter.

But we are not resting on our laurels. We are investing in our core infrastructure to keep the lights on and gas flowing for the more than 2 million customers we serve in hundreds of communities across New Jersey.

Also, we are improving the quality of customer service. We have launched new technology to give customers more options, including paperless billing and other tools to help customers manage their accounts. In a harsh economic climate, more of our customers are having trouble paying their bills. We will remain proactive in providing payment assistance, along with efforts to help our customers use energy more wisely.

In an environment of falling fuel costs, we were able to pass along these savings to our customers. Since January 2009, PSE&G decreased gas supply rates 31 percent, the equivalent of about \$500 a year for a typical residential customer.

We have benefited to an increasing extent from operations characterized by excellence in power generation. In 2010, PSEG Power, our large energy supply business, produced more electricity than ever before to help keep our customers cool and comfortable throughout a summer with record heat.

PSEG Power's generation fleet has a combined capacity of approximately 13,500 megawatts in four Northeastern states. Our fleet enjoys a strategic location near load centers, and is diversified by fuel and technology to help meet energy needs under a variety of conditions in all seasons. Through the addition of new peaking units as well as various plant improvements, we have been able to increase the generating capacity we bid into the energy markets.

Over the last five years, our nuclear stations in southern New Jersey have achieved dramatically improved performance, as measured by a number of industry benchmarked indicators. We aim to build on these achievements as we prepare our units for

extended life operations. During the year, we received approval from the Nuclear Regulatory Commission to produce cobalt-60, a radioisotope used in cancer treatments and for sterilizing foods and medical devices. While there is some commercial value associated with cobalt-60 production, the principal benefit will be in helping humanity.

A key goal for our fossil fleet is to build on stellar results such as the outstanding unit availability and record energy production of 2010. In the final months of 2010, we tested the back-end technology installed at our New Jersey coal stations. This represented the completion of a \$1.3 billion investment to achieve dramatic reductions in emissions. It positions us for a future in which environmental regulations are likely to become increasingly strict.

Portfolio management plays a critical role in optimizing the value of PSEG Power's assets while limiting risk. Our long-standing practice is to hedge by contracting a substantial part of our anticipated energy output on a rolling basis. We generally do this through mechanisms such as New Jersey's Basic Generation Service (BGS) auctions. More recently, we have expanded the reach of our energy contracting to a number of other Northeastern states and to third-party retail providers as well.

## FINANCIAL

### *strength . . .*

We believe financial strength is of paramount importance in a challenging business climate – indeed, a crucial determinant of economic sustainability in our industry. In this respect, we see ourselves as advantaged by having worked diligently over years to fortify our financial situation. Our strong balance sheet and cash flows support our ability to grow without issuing new equity, while providing ongoing support for dividends. Financial strength anchors us.

Our determination to maintain our financial focus is evident in actions on many fronts.

First, we have continued our efforts to reduce risk. In 2010, we achieved a major milestone by selling the remaining international leases in PSEG Energy Holdings' portfolio.

Second, we reinforced our focus on core markets by agreeing to sell our Texas combined-cycle generating facilities for approximately \$687 million. While the sale of our Texas operations will reduce the size of our generation portfolio by 2,000 megawatts, it will keep our focus squarely on markets and assets with the highest value.

Third, through the continued fine work of our employees, we found ways to achieve meaningful efficiencies and cost savings without compromising safety or reliability. Among other steps, we have reduced our distribution-related capital expenditures at PSE&G to support our ability to earn our allowed return without the need for additional rate relief.

Yet, we are not stopping there in our company-wide efforts to identify and implement new savings. This will continue to be a priority as we strive to further improve performance.

We do not expect that cost efficiencies will entirely offset the ongoing impact of lower energy prices, or other pressures, on our business. Nevertheless, we believe there is wisdom in the maxim that saving and investing are two sides of the same coin. By protecting our financial strength, we have improved our ability to address the evolving needs of our customers while delivering value to our shareholders.

## DISCIPLINED *i n v e s t m e n t . . .*

Our financial strength provides the flexibility to prudently explore growth opportunities – in a thoughtful and disciplined manner. Over the next three years, we will be pursuing a \$6.7 billion investment program – one of the largest in our history. Most of this investment will be at PSE&G, for the purposes of further improving reliability, providing a stimulus for job creation, and bringing green solutions to New Jersey.

Our mandate includes major transmission projects required to assure reliability. While construction of the Susquehanna-Roseland (S-R) line has been delayed, we are moving forward with many other essential reliability projects in New Jersey.

Also, PSE&G is making green investments to improve access to energy efficiency and renewable solar power for its customers across the state. Our efforts are creating jobs in a new industry while helping New Jersey to build a position as a leading solar energy-producing state, second only to California nationwide.

Our energy efficiency initiatives have made it possible for thousands of our urban residential customers to benefit from home energy checkups or improvements. Many thousands more benefited from our energy efficiency programs geared to the needs of facilities such as hospitals that serve the community. In 2010, our energy efficiency programs provided customers with the capability to reduce their annual energy use by the equivalent of 283 million kilowatt hours.

PSE&G's work includes \$694 million in accelerated electric and gas infrastructure projects, creating about 900 new utility and contractor positions. Among other notable accomplishments, our gas delivery group replaced more than 1 million feet of aging gas mains through this work. Additionally, we have asked our regulators for approval to invest approximately \$400 million on energy efficiency, gas distribution and electric distribution programs over a 24-month period in support of state efforts to boost the economy by improving our infrastructure.

We expect another busy year with our many solar initiatives. In 2010, PSE&G placed into service 11 utility-scale solar installations, including four solar farms. In addition, 72,000 solar units were installed on utility poles across our New Jersey service territory. Combined, these solar installations and pole-attached units provided 28 megawatts of highly distributed solar power. Through our innovative solar loan program, we facilitated an additional 19 megawatts of solar capacity by year's end.

We did not limit ourselves to green opportunities in New Jersey. In 2010, our PSEG Solar Source subsidiary completed and

began operating the largest solar facility in Ohio and the second largest in Florida. Both projects were milestones in the growth of a young business, which expanded to include 29 solar megawatts in three states.

Meanwhile, a key goal at PSEG Power is to maximize the value of a diverse, well-run and environmentally advantaged fleet. In responding to various pressures on the merchant generation business, we strive to balance near-term performance with long-term opportunity. Thus, while maintaining our focus on strong operations, we are pursuing selective growth opportunities.

We are working to ensure our nuclear units remain a vital resource long into the future. We are seeking a 20-year license extension for our Hope Creek and Salem nuclear units, and have applied for an early site permit for a possible additional nuclear unit, which, if conditions warrant, might be built alongside them. Also, we have committed approximately \$400 million for nuclear uprates that would enable us to further expand our electric-generating capacity.

We are moving ahead with nearly 400 megawatts of new peaking units in New Jersey and Connecticut. We expect these units to be completed and available for the summer of 2012.

Increasingly stringent environmental requirements could significantly impact the electric power industry within the next decade, but we are competitively positioned through the extensive environmental improvements we have made. Our strong commitment to the environment is integral to our success.

We are actively exploring additional opportunities to expand our renewables portfolio. However, we are determined to proceed cautiously and move ahead only where there are adequate returns to justify our involvement.

Our efforts to build a sustainable energy strategy are being increasingly recognized. In 2010, PSEG was named to the Dow Jones Sustainability World Index and the Carbon Performance

Leadership Index. Also, in 2010, PSEG won the prestigious Edison Award, conferred by the Edison Electric Institute for leadership in addressing society's most pressing needs in tandem with business goals.

While energy is changing rapidly, many important things have not changed. Safety is one. Integrity is another. Our reputation for integrity is precious, and we are determined to safeguard it at all times.

We remain a company that is deeply involved in supporting the state of New Jersey as well as the communities where we operate. We focus our support on community programs in areas related to education, the environment and economic development. In 2010, we built further on our partnership with the New Jersey State Sustainability Institute to promote local energy efficiency efforts in communities across the state. And, as in past years, our employees were terrific in being there for people in need through countless volunteer activities.

**Our dedicated employees remain our single most important asset – and advantage.** Their efforts say a great deal not only about the qualities that make PSEG a special company, but about the character of people providing safe, reliable, economic and green energy.

In closing, I would like to thank our shareholders for their continued loyalty and support. We will continue working hard each day to justify your trust and confidence.

Sincerely,



Ralph Izzo  
Chairman, President and Chief Executive Officer  
Public Service Enterprise Group

February 28, 2011

## BOARD *of Directors . . .*

**Albert R. Gamper, Jr.** is the retired Chairman of the Board and Chief Executive Officer of CIT Group, Inc., Livingston, N.J., a commercial finance company.

**Conrad K. Harper** is a retired partner of the law firm of Simpson Thacher & Bartlett LLP, New York, N.Y.

**William V. Hickey** is President and Chief Executive Officer of Sealed Air Corporation, Elmwood Park, N.J., which manufactures food and specialty protective packaging materials and systems.

**Ralph Izzo** is Chairman of the Board, President and Chief Executive Officer of PSEG.

**Shirley Ann Jackson** is President of Rensselaer Polytechnic Institute, Troy, N.Y.

**David Lilley** is the retired Chairman of the Board, President and Chief Executive Officer of Cytec Industries Inc., Woodland Park, N.J., which is a global specialty chemicals and materials company.

**Thomas A. Renyi** is the retired Executive Chairman of the Bank of New York Mellon Corporation, New York, N.Y., a provider of banking and other financial services to corporations and individuals.

**Hak Cheol (H.C.) Shin** is Executive Vice President, Industrial and Transportation Business of 3M Company, St. Paul, Minnesota, a diversified technology company.

**Richard J. Swift** is the retired Chairman of the Financial Accounting Standards Advisory Council and retired Chairman of the Board, President and Chief Executive Officer of Foster Wheeler Ltd., Clinton, N.J., which provides design, engineering, construction, manufacturing, management, plant operations and environmental services.

## STOCKHOLDER *information . . .*

### Stock Exchange Listings

New York (PSEG Common Stock) Trading  
Symbol: PEG

### Annual Meeting

Please note that the annual meeting of stockholders of Public Service Enterprise Group Incorporated will be held at the New Jersey Performing Arts Center (NJ PAC), One Center Street, Newark, New Jersey, on Tuesday, April 19, 2011 at 2 p.m.

### Stockholder Services

Please include your Investor ID number in any inquiry you may have about stock transfer, dividends, dividend reinvestment, direct deposit, missing or lost certificates, change of address requests, or for any other account specific request.

### Stockholder Services on the Internet

Please visit the Bank of New York Mellon Stockholder Services site:  
[www.bnymellon.com/shareowner/isd/](http://www.bnymellon.com/shareowner/isd/)  
The Bank of New York Mellon's website offers online access and transaction processing to shareholders.

### How to contact Stockholder Services

Toll free: 800-242-0813  
(weekdays, 8 a.m.–8 p.m. ET)  
E-mail: [psegshareholders@bankofny.com](mailto:psegshareholders@bankofny.com)  
Web: [www.bnymellon.com/shareowner/isd/](http://www.bnymellon.com/shareowner/isd/)

### Mailing address:

The Bank of New York Mellon  
Shareowner Services Dept.  
P.O. Box 358035  
Pittsburgh, PA 15252-8035

### Security Analysts and Institutional Investors

For information contact:  
Vice President – Investor Relations  
973-430-6565

### Transfer Agent

The transfer agent for the Common Stock is:  
The Bank of New York Mellon  
480 Washington Boulevard  
Jersey City, N.J. 07310-1900

### Enterprise Direct

PSEG offers Enterprise Direct, a stock purchase and dividend reinvestment plan. For additional information, including a plan prospectus and an enrollment form, call or send us an e-mail with your current mailing address.

### Dividends

Dividends on the common stock of PSEG, as declared by the Board of Directors, are generally payable on the last business day of March, June, September and December of each year.

### Direct Deposit of Dividends

No more dividend checks delayed in the mail. No waiting in bank lines. Your quarterly common stock dividend payments can be deposited electronically to your personal checking or savings account. More information, including instructions and a downloadable form, is available on our website at [www.pseg.com](http://www.pseg.com) or by contacting us by phone. It's a free service.

### Deposit of Certificates

To eliminate the risk and cost of loss, shareholders can deposit their certificates with BNYMellon, or take advantage of DRS, a convenient service for holding and tracking your shares and still receive a paid dividend. For more information, contact BNYMellon on the web or by phone.

Forward-Looking Statements: The statements contained in this communication about us and our subsidiaries' future performance, including, without limitation, future revenues, earnings, strategies, prospects 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. Although we believe that our expectations are based on information currently available and on reasonable assumptions, we can give no assurance they will be achieved. There are a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made herein. A discussion of some of these risks and uncertainties is contained in our Annual Report on Form 10-K and subsequent reports on Form 10-Q and Form 8-K filed with the Securities and Exchange Commission (SEC), and available on our website: <http://www.pseg.com>. 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 communication. 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.



Public Service Enterprise Group Incorporated

80 Park Plaza

Newark, NJ 07102

973.430.7000

[www.pseg.com](http://www.pseg.com)

*Proud  
recipient of:*

