



# Energize



## PSEG Overview

Public Service Enterprise Group (PSEG), a diversified energy holding company with over \$28 billion in assets, is one of the nation's leading wholesale energy producers and most reliable electric and gas transmission and delivery utilities.

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President and Chief Executive Officer  
Ralph Izzo
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## 2007 Financial Highlights

While the forward-looking statements about PSEG's expectations made throughout this report are based on information currently available and on reasonable assumptions, actual results could be materially different. 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.

Dollars in millions, where applicable	2007	2006	% Change
Total Revenues	\$ 12,853	\$ 11,762	9
Income from Continuing Operations	\$ 1,319	\$ 679	94
Pro Forma Operating Earnings (Non-GAAP)	\$ 1,377	\$ 872	58
Net Income	\$ 1,335	\$ 739	81
Earnings Per Share-Diluted			
Income from Continuing Operations	\$ 2.59	\$ 1.34	93
Pro Forma Operating Earnings (Non-GAAP)	\$ 2.71	\$ 1.73	57
Net Income	\$ 2.62	\$ 1.46	79
Weighted average common stock shares outstanding – (thousands)			
Diluted	508,813	504,628	1
Dividends Paid per Share	\$ 1.17	\$ 1.14	3
Book Value per Share – Year-end	\$ 14.35	\$ 13.35	7
Market Price per Share – Year-end	\$ 49.12	\$ 33.19	48
Total Assets	\$ 28,392	\$ 28,552	(1)

Note: Pro Forma Operating Earnings exclude the after-tax impact of asset sales of \$58 million, or \$0.12 per share in 2007 and \$185 million, or \$0.37 per share in 2006, and after-tax Merger-related costs of \$8 million, or \$0.02 per share, in 2006. PSEG believes that the non-GAAP financial measure "Operating Earnings" provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. All share and per share information retroactively reflects the impact of the 2:1 stock split effective February 4, 2008.



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

Operational excellence is the foundation for our success. In 2007, our businesses operated at historically high levels of performance, enabling us to continue PSEG's proud history of providing safe and reliable energy for our customers and solid returns for our shareholders.

We added new members to a highly capable management team and filled many other open positions to strengthen our organization — effectively restoring PSEG as a company standing firmly and proudly on its own feet. We built a strong financial position as we prepared for future growth. We reduced international risk and exposure, thus further enhancing our financial stability. And supported by the outstanding contributions of our employees, we reinforced our reputation as a company that cares deeply about community and the environment — one that increasingly is looked to for leadership in its industry and the larger society.

Climate change emerged as the pre-eminent issue that will shape the future. We not only continued to reduce our environmental impacts, but have been front and center in asserting the unique contribution that utilities can and should make in the fight against global warming.

In short, 2007 was a defining year as we chart our path based on operational excellence, financial strength and disciplined investment. We are well-positioned to meet the major challenges our industry will face in the future, reflecting three key needs of society: namely, the need for higher and higher levels of environmental performance; the need to replace an aging energy infrastructure; and the need for additional energy supplies — all vitally important to the quality of life.

Our business model is working the way it should: Operational excellence builds greater financial strength, which in turn provides the resources for disciplined investment in things we can do well. Our goal is to build a cycle of continuously improving performance, in which success breeds success — for customers, employees and not least, for our shareholders.

In 2007, we provided our shareholders with very attractive returns — in keeping with a long-established PSEG objective...and tradition.

# Serve



We completed 2007 with operating earnings in the upper half of our guidance range. Our results were bolstered by a combination of strong operations and favorable market conditions.

Our stock price doubled over the past two years. Because of our stronger financial situation, we have been able to significantly increase our dividend. On January 15, 2008, PSEG's board of directors declared a 10 percent increase in our dividend. This is the fifth consecutive year that PSEG increased its dividend and the 101st year in a row that PSEG or its predecessor companies paid dividends — a record that few companies have equaled. It reflects a commitment to shareholders on which we place great value.

With this higher dividend, our payout will be in a range to provide flexibility for further dividend growth as well as new investment. Although we expect to be in a position to grow the dividend, future increases are expected to be more modest as our financial condition may allow.

PSEG always has had a strong appeal to individual shareholders, who comprise an important part of our ownership. With the interests of smaller investors in mind, we announced a two-for-one stock split at the same time as our recent dividend increase. The split adjusts the price of our stock to a level many smaller shareholders may find more affordable without affecting shareholder value.

Each of our businesses contributed well to our results in 2007:

### **PSEG Power**

PSEG Power, our large generation business, is a major wholesale electricity supplier with generating facilities in New Jersey, Pennsylvania, Connecticut and New York State. Power has an exceptionally well-positioned set of assets in the markets where it competes. It has been driving our earnings growth.

Power's nuclear and fossil operations have improved dramatically in recent years. Our nuclear

facilities, in particular, have never played a more important role in providing clean, low-cost energy for New Jersey and surrounding areas. In 2007, our nuclear units achieved a capacity factor of 91.4 percent. We have in place the management team and processes that allowed us to resume independent operation of our nuclear facilities — a significant milestone toward our goal of long-term nuclear excellence.

Of all significant sources of energy, only nuclear power can generate electricity without emitting greenhouse gases. We believe in the future of nuclear energy. We are taking steps to explore the possibility of adding a new nuclear unit on the site of our Hope Creek and Salem nuclear facilities in southern New Jersey. The building of a new nuclear facility is a highly complex undertaking that could take a decade or even longer. It is not something to be embarked upon lightly. Nevertheless, the many advantages of nuclear energy justify a close look at this option. We will investigate it thoroughly before deciding whether to apply for a new facility license.

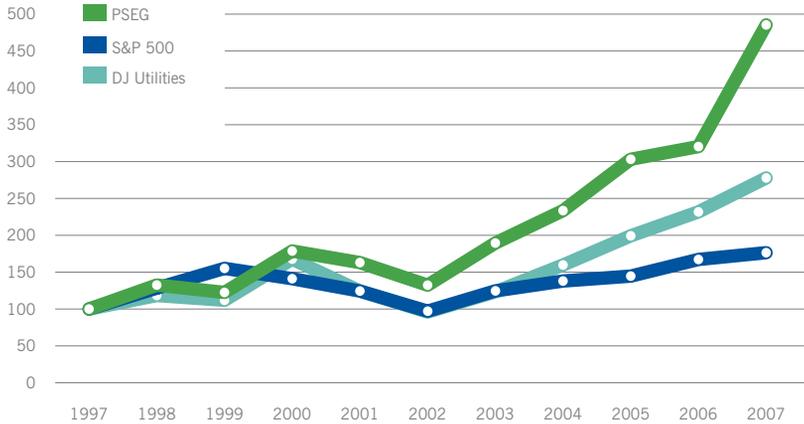
Our fossil units have achieved stronger operations as well. In 2007, our forced outage rates improved across our fossil fleet. We are making sizable investments to ensure the long-term future of our fossil units by adding advanced emissions control technology. Such installations are underway at a number of our coal-fired units in New Jersey, Pennsylvania and Connecticut.

As to the future, we are well-positioned to pursue growth opportunities in our core markets of PJM (originally known as the Pennsylvania-New Jersey - Maryland Interconnection), New England, New York and Texas. In PJM, for example, we initiated planning for construction of 300–400 megawatts of new, clean gas-fired peaking capacity. This step will complement PSEG Power's existing fleet of 13,300 megawatts, improve overall fleet efficiency and enhance reliability, in particular for our customers in New Jersey, where PJM indicates additional energy supply is needed.

Over the longer term, our aim is to leverage PSEG Power's strengths in the competitive markets it

knows best and to accumulate assets in areas that complement our existing portfolio. As we do so, operational excellence will remain the foundation for continued success. PSEG Power's capabilities in asset-based portfolio management enhance our ability to pursue this strategy while managing risk in a consistent, disciplined way.

**10-Year Cumulative Total Comparative Returns**  
as of December 29, 2007



PSEG's total return for the last 10 years has outpaced two major market indices. This chart shows the value at each year's end of \$100 invested at year end 1996. The value assumes reinvested dividends.

### PSE&G

PSE&G, our New Jersey electric and gas delivery company, continued to excel as a reliable performer. PSE&G has built an outstanding reputation for safe, reliable service in meeting the needs of approximately 2.1 million electric customers and 1.7 million gas customers in communities across New Jersey. For the sixth consecutive year, PSE&G won the Mid-Atlantic Reliability One award, a prestigious honor given by PA Consulting in recognition of superior electric-system reliability. This achievement goes along with two National Reliability One Awards that PSE&G won in recent years.

# Perform



The electric and gas rate relief that PSE&G obtained in November 2006 has created a more reasonable earnings profile for us. We will continue to invest in our people and systems to sustain PSE&G's strong regulatory and customer relationships.

PSE&G is giving new emphasis to clean-energy investments to support New Jersey's efforts in the fight against climate change. We believe building a greener, low-carbon future is not only the right thing to do, but can make good business sense. New Jersey has long embraced innovation to create a vibrant, high-tech economy. New Jersey can do the same to become a model for the future green economy — one that provides plenty of good jobs while protecting the environment.

Indeed, utilities like ours can make an essential contribution to the fight against global warming. We have a depth of experience, thousands of dedicated employees, relationships with millions of customers and the ability to invest over the long term in ways that benefit society. Moreover, PSE&G, as a company that serves New Jersey's six largest cities and diverse communities across the state, can help ensure universal access to energy efficiency and renewable energy programs.

In 2007, PSE&G sought regulatory approval for a range of new programs to promote conservation, energy efficiency and the development of renewable sources of energy in New Jersey:

- In April, we proposed investing \$100 million over two years to help finance the installation of solar systems on homes, businesses and municipal buildings throughout our service territory.
- In December, we unveiled new carbon-abatement programs designed to help our customers save energy, lower their bills and, in the process, reduce greenhouse gas emissions. This effort would begin with a \$5 million investment in measures such as home energy audits, programmable thermostats, attic insulation and high-efficiency lighting upgrades — with a focus on the needs of low-income customers and small businesses.

- Also in December, we announced plans to deploy and test advanced metering infrastructure (AMI) technologies — systems that provide information to help customers monitor their energy use, conserve energy and lower costs during periods of peak energy demand.

We are working hard to obtain the regulatory approvals that would allow us to proceed with these and other green business initiatives. But we are not simply waiting to act. We are moving ahead with an initiative to replace our vehicle fleet with hybrid cars and light trucks, a step that will reduce carbon emissions by more than 81,000 tons over the next decade. And we are investing in more efficient electric delivery equipment, a move expected to reduce energy use and carbon emissions by some 60,000 tons by the year 2020.

A truly broad-based effort is needed to address climate change. We will remain deeply engaged in the process to develop a new Energy Master Plan for New Jersey, as well as in regional and national efforts to reduce greenhouse gases. To encourage public involvement, we launched a campaign in November 2007 to give away 100,000 energy-saving compact fluorescent light bulbs at PSE&G's 16 customer service centers in New Jersey. We are working on many other fronts to promote changes in consumer behavior, as well as in law and regulation, to support a green future. For example, we are the primary sponsor of the PSEG Global Green Expo at Liberty State Park in Jersey City on April 25, 26 and 27, 2008. This event will help educate the state's residents and businesses about what they can do to make a difference in the fight against climate change.

Encouraging our customers to use energy wisely is something we have long done. It is even more important in today's carbon-constrained world. Yet the fact remains that energy demand is increasing. We are taking steps today to ensure New Jersey will have the safe, reliable, economic and clean energy it will need tomorrow.

PSE&G is supporting the construction of several new 500-kilovolt transmission lines that will

“Public Service is part of our formal name, but it is something more: It reflects who we are and what our many constituents have come to expect from us.”

significantly improve the long-term reliability of the electric system that serves our New Jersey customers. While reliability is driving the need to build these lines, we also expect they will eventually ease congestion and thereby lower electric prices for our customers. The lines, which will be built over the next five to eight years with an investment by PSE&G of about \$1.6 billion, are essential to New Jersey’s energy future.

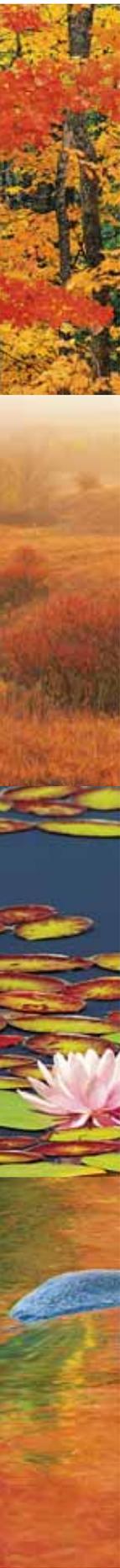
PSEG Operating Earnings per Share



\* Amounts reflect 2:1 stock split effective February 4, 2008.  
 \*\* See 2007 Financial Highlights on page one for GAAP reconciliation.

There is an equally compelling need for other infrastructure upgrades to ensure our customers will continue to have the quality of service they have come to expect. Many older pipes and wires must be replaced to ensure reliability. In addition, we are updating our entire customer interface. The new customer information system, called *iPower*, uses advanced technology to meet our customers’ needs. It is a cornerstone of our long-term efforts to keep improving service quality.

# Grow



## PSEG Energy Holdings

PSEG Energy Holdings had another outstanding year in selling international assets and reducing risk. In 2007, its PSEG Global subsidiary took advantage of strong interest in its Latin American electric generation and distribution assets. During the past two years, PSEG Global's asset monetizations have generated close to \$1.5 billion in cash that has generally been used to pay down PSEG Energy Holdings' debt and return capital to our parent company. The remaining assets in this part of our business are largely based in the U.S. — the most substantial being two 1,000-megawatt generating stations in Texas, which we expect will continue performing well. We are exploring a number of opportunities to build on this domestic position, including in the renewable-energy area.

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PSEG's overall accomplishments in 2007 have strengthened our ability to invest over the long term. In the next couple of years, we expect cash flow to be in excess of the normal capital needs of the business. This will provide greater flexibility over time to reward shareholders and grow the business.

Leadership in thought and deed is more important than ever to our company's future. We will continue to address issues that matter. One I have discussed extensively: Climate change. Another key issue is workforce development. I will be heading a utility industry task force on this issue in 2008, as we look to create the highly skilled, diverse workforce to fill the green jobs essential for a cleaner energy future. In doing so, we will look to build on successful initiatives such as our Energy Utility Technology Degree program, which is our most diverse source of entry-level talent. In 2007, we received the U.S. Department of Labor's Exemplary Volunteer Efforts Award, based on the achievements of this program in promoting equal opportunity and inclusion in the workplace.

In 2007, PSEG received other honors, including NJBIZ magazine's New Jersey Corporation of the Year award for our financial results, our leadership on environmental issues and our

commitment to New Jersey. Our New Jersey utility PSE&G was inducted into the Balanced Scorecard Hall of Fame, recognizing our successful use of a rigorous, highly regarded management system to achieve higher, and in many cases, superior levels of performance.

These and other awards speak volumes about our employees and their dedication to excellence. As an example, our employees have made dramatic improvements in safety during the last decade. Also, I cannot say enough about our employees' many volunteer efforts in the communities they serve. Thanks to their involvement, PSEG once again led all utilities nationwide in raising funds for the March of Dimes. And their volunteerism made a difference in countless other ways. Certainly, a highlight of 2007 was their lending a helping hand at the new PSE&G Children's Specialized Hospital in New Brunswick, New Jersey. It was a joyous occasion when this state-of-the-art facility opened in December 2007, having been built with the help of the largest single charitable contribution in our company's history.

Public Service is part of our formal name, but it is something more: It reflects who we are and what our many constituents have come to expect from us. I extend my thanks to our employees, whose accomplishments have proudly given new meaning to the words, Public Service.

In closing, I stress our continued dedication to you, our shareholders, who have put your trust in us. We will continue striving to the best of our ability to warrant your confidence.

Sincerely,

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

February 25, 2008



# Protect

## Our Environment

Our energy choices have never had greater consequences for our world — and our children who will inherit it. Our choices can make a difference — and leave the world a cleaner, healthier place.

Today's better energy choices — and tomorrow's — must continue to be about energy that is safe, reliable and economic. But another dimension is just as critical: energy that is clean.

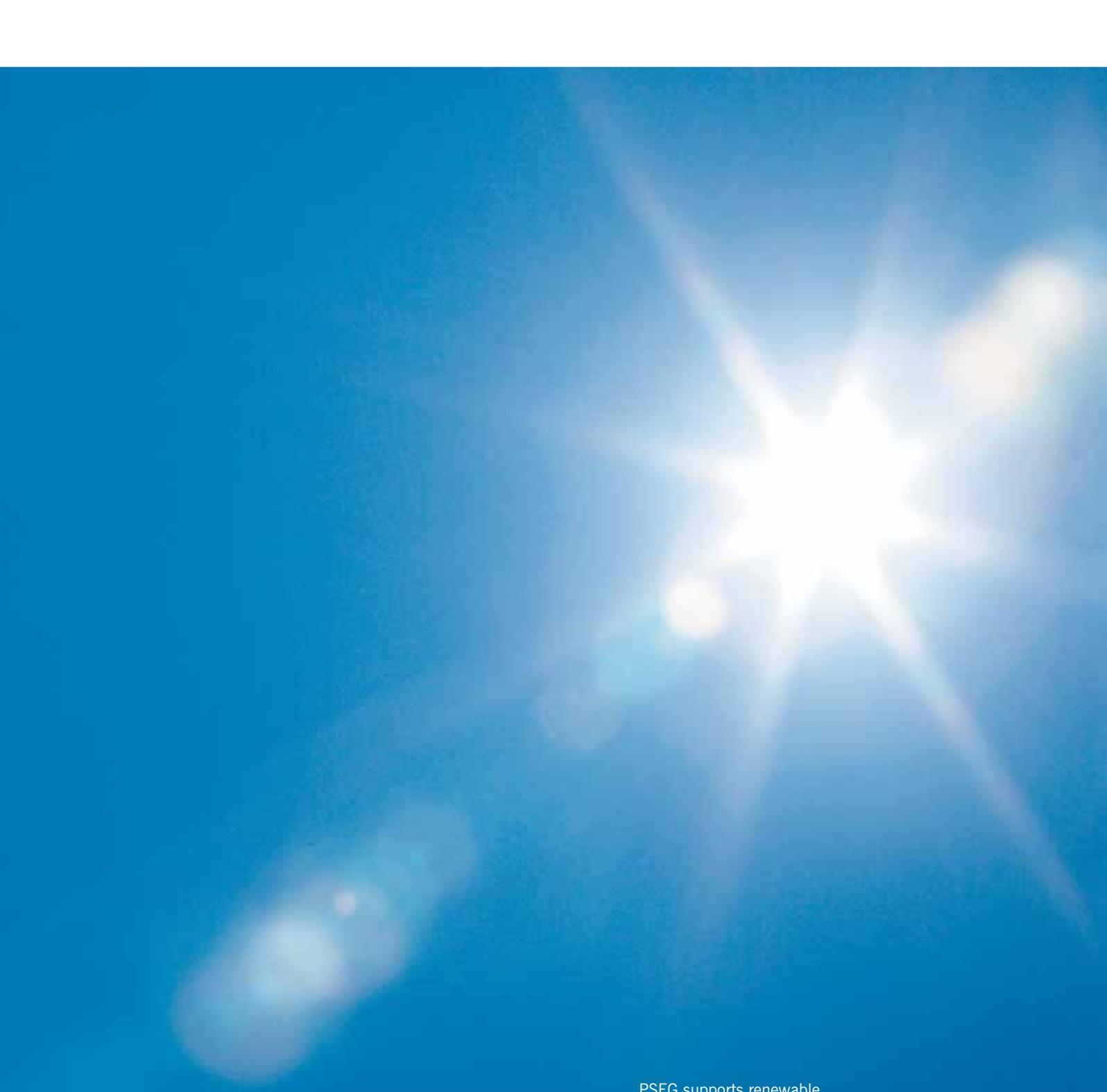
At PSEG, we are strongly committed to the environment and dedicated to building a greener, low-carbon future. We are working to develop new ways to help society meet the challenge of climate change, an issue with the power to transform both our company and industry.

Climate change is far from only being a challenge. At PSEG, we see it as an opportunity to apply the enormous capacity of our nation to innovate, invent and chart a new path of sustainable growth — and create plenty of good, locally based jobs.

We believe a comprehensive, multi-dimensional strategy can reduce greenhouse gases. At PSEG, we are pursuing workable solutions along three main lines: first, with conservation through energy-efficiency improvements; second, with the development of renewable energy such as solar, wind and biomass; and third, with clean central station power plants using proven nuclear or other advanced clean technologies.

It's not just our industry that has a stake in this battle. We all do. And government has a key role, too. That's why we are making our voices heard by aggressively supporting public policy in New Jersey and the nation to achieve meaningful reductions in greenhouse gases. We are calling for action now.





# Renew

PSEG supports renewable energy such as solar, wind and biomass to address climate change.



Every community and person can play an important part in accomplishing a global solution. We are working to empower our customers with new opportunities for energy savings and with the up-to-date, practical information they need about ways to use energy more wisely and save dollars, too.

In the 20th century, companies like PSEG played a key role in providing universal access to energy. In this century, we are focused on the opportunity to provide universal access to energy efficiency along with our traditional mission. We are equipped to take on this new challenge with our skilled employees, our well-known brand reaching into millions of homes, and our ability to invest to achieve long-term public benefits.

We want to do more than simply be part of the solution. We want to create solutions that lead to a better, greener energy future, redefining what it means to be an energy company with a strong environmental commitment at its core.

Our environmental efforts will continue on many fronts: with our investments in state-of-the-art emissions reduction technology at power stations, with our ongoing efforts to clean up sites of former industrial activity, and with initiatives ranging from recycling to wetlands restoration that have received national recognition for contributing positively to the environment.

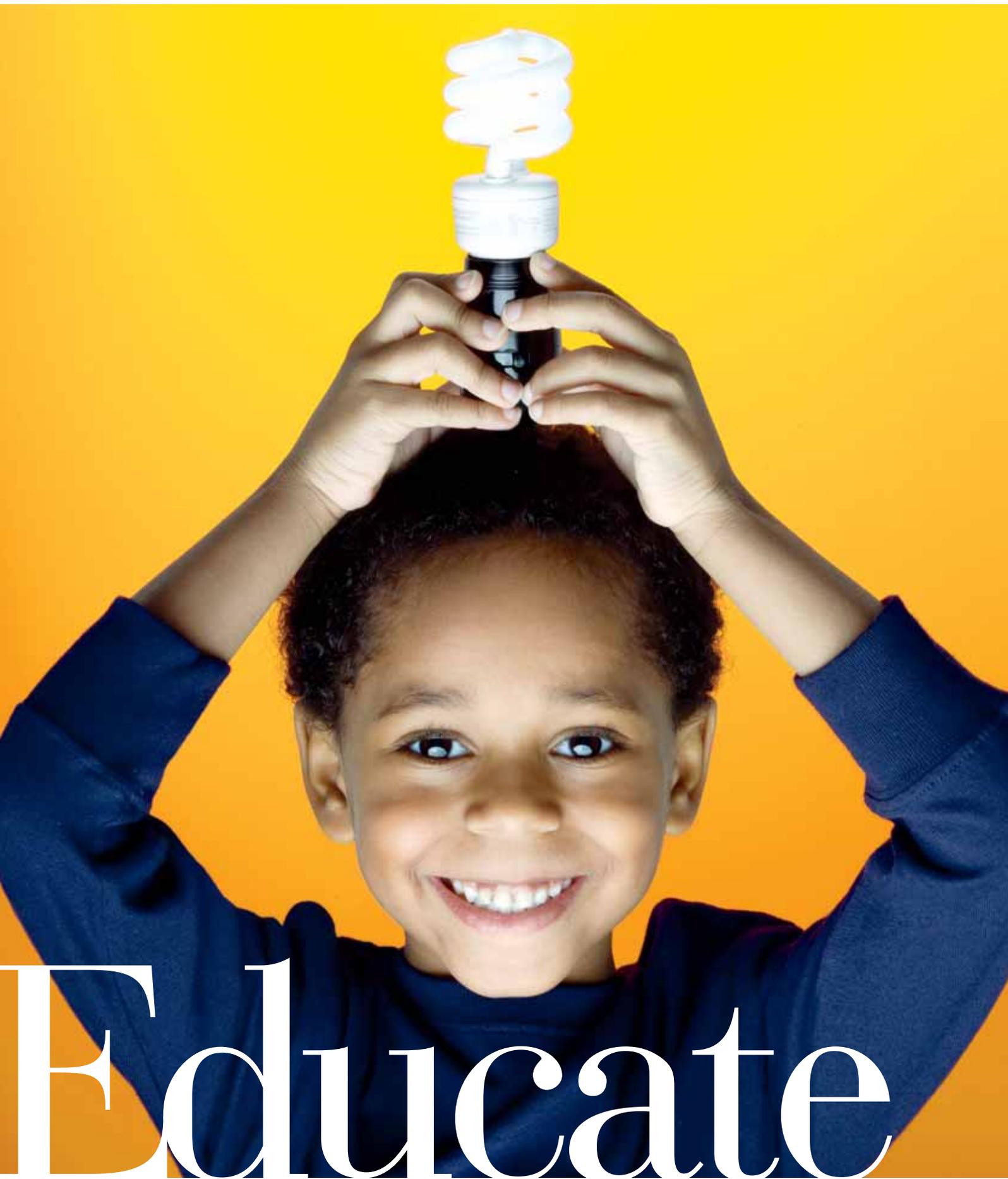
We've made progress, in ways large and small that have made a difference. For the first time in 50 years, young osprey chicks were born in the Meadowlands of northern New Jersey. The fledglings have found a warm home in nesting platforms built by PSEG employee volunteers. Today, in the heart of one of the nation's most developed areas, wildlife flourishes — a good harbinger for the future.

We are proud to contribute to environmental progress like this. We are determined to continue working for a brighter and greener future.

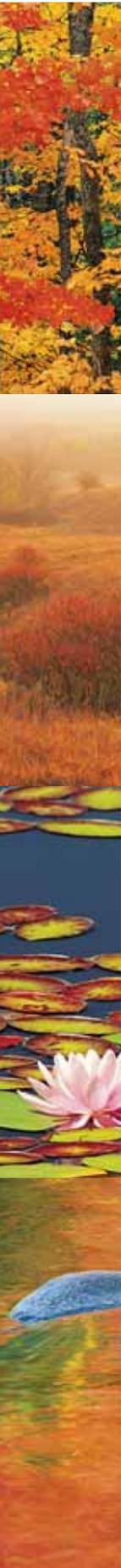
# 20%

Is the amount of electricity New Jersey plans to meet with renewable resources by 2020.





# Educate



## Our Customers

Being there for our customers is at the heart of who we are at PSEG. Millions of people depend on us for safe, reliable energy around the clock and throughout the year. We strive to deliver.

It's a big job to provide this energy in all types of weather and conditions — including in emergency situations. Skill, dedication, energy, teamwork — and much more — are brought to the task by the men and women of PSEG. It is due to their efforts that PSEG has built strong customer relationships over more than 100 years.

Our employees have a proud tradition of rising to the occasion when their help is needed most. They did so again in the spring of 2007, when damaging storms struck communities in central New Jersey. Our crews worked seven days a week to restore thousands of customers. Going beyond the call like this is second nature for them.

In showing how they care, our employees have produced exceptional results such as award-winning electric reliability that means fewer and shorter outages for customers. For six years in a row, our New Jersey utility, PSE&G, has won the Reliability One award for superior reliability in the Mid-Atlantic region, as well as two National Reliability One awards in recent years.

But we are not resting on our laurels. We are working hard on many fronts to build even stronger partnerships with our customers. We continue to invest substantially in workforce training and development, in necessary infrastructure upgrades and new technology, to get the job done smarter and better. And we are looking to invest in new ways that enable customers to save more energy and thus help reduce greenhouse gas emissions — something vitally important for a sustainable future.



PSEG is strongly committed to helping customers find additional ways to save energy — and money.

# Save



We have started by proposing pilot programs that will bring to our customers more energy-saving tools, such as home energy audits, programmable thermostats, attic insulation and lighting upgrades. It is our goal to provide universal access to measures like these to help all our customers save more energy and dollars. We also announced in 2007 a solar initiative to expand the role of renewable energy and make it more affordable, as a first step toward a broader effort.

Customer education has long been an important part of our job. We are expanding our many efforts to provide customers with information on practical ways they can save energy. And we have renewed our emphasis on energy-assistance programs by partnering with more community organizations, resulting in increased financial assistance for eligible customers.

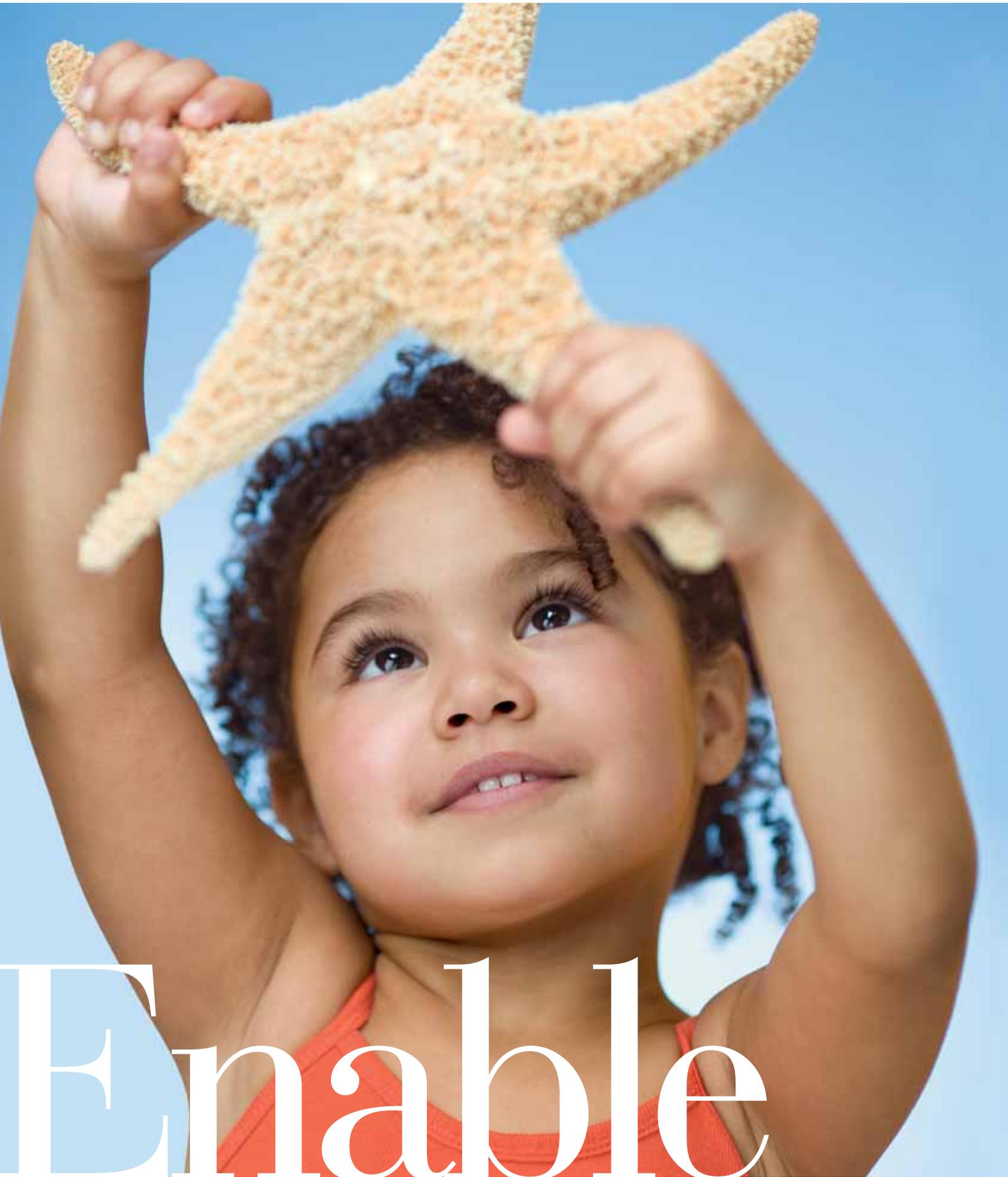
In the years ahead it will be vital to promote public understanding of global warming — and the role that everyone can play in helping to slow climate change. We are supporting educational events such as the PSEG Global Green Expo, to be held in April 2008. This three-day event in Jersey City will provide a wealth of information about ways that individuals, families and businesses can make a difference for the environment.

We are not simply waiting for a better, greener future to arrive, but actively working to bring it into existence with practical energy-saving solutions. And that's not all we're doing: We are investing today to meet the energy needs of tomorrow, so our customers will continue to enjoy safe, reliable energy when they need it. Whether it's building new, long-distance power lines to improve reliability and relieve congestion on the grid, or developing a new customer information system to improve service quality and offerings, we are hard at work to serve our customers even better.



# 66%

Less energy can be consumed by replacing standard bulbs with compact fluorescent lighting.



# Enable

## Our Employees

The energy behind PSEG isn't the pipes and wires of our energy infrastructure or the boilers and turbines of our power plants. The energy of PSEG is our people.

If there is a better way, the men and women of PSEG work hard to find it. Whether it's using computer simulation technology at our nuclear facilities or performing live-line maintenance work with our own helicopter crews, we embrace innovation to make the workplace safer and better serve our customers.

Our focus on workforce training and development flows from a simple fact: It takes highly skilled, trained and motivated people to achieve operational excellence. There can't be any shortcuts in a business like ours — not with the hazards of working with electricity and gas. Great care must be taken at all times to do the job safely and well. It's what our employees take pride in doing, as reflected in numerous awards they have won for safety excellence. Our employees represent a tremendous base of knowledge and experience.

We have a strong focus on empowering our employees by giving them the means to achieve success. We encourage them to take advantage of the numerous programs we provide in areas ranging from health and wellness to continuing education. And we offer competitive compensation and benefits to help our employees achieve their financial goals. Fostering an environment where people can be their best makes perfect sense to us as a company dedicated to excellence. Our emphasis on career growth and development is a cornerstone of our efforts to attract and keep the best talent.





PSEG's goal is to prepare  
the future workforce for  
new, green-collar jobs...  
and rewarding careers.

# Reach



Making sure the workforce can meet the business needs of the future is one of the greatest challenges we face as a society. Being a leader in responding to this challenge is critically important as we see it. We not only need to replace a generation of retiring employees without losing valuable knowledge and skills; we also need to prepare a new workforce for the green-collar jobs of tomorrow.

We have made a good start in building our future workforce with the Energy Utility Technology Degree program, which we developed in partnership with a number of New Jersey colleges. The program is proving to be an important pipeline of new and diverse talent for entry-level technical trade positions. What's more, it provides qualified students access to jobs that might not otherwise be there for them. The program has been recognized as a national model in the workforce development area.

Building on successes like this, our long-term staffing goal is to create the most qualified and diverse pool of candidates possible. Our outreach efforts include cultivating relationships with partners from the military, professional associations, community organizations, and colleges and universities to fill out our talent pipeline. The different ideas and perspectives from which we draw in staffing our workforce help us to achieve our business objectives — and keep our promises.

As to the future, the potential for green-collar jobs — defined as blue-collar workforce opportunities created by organizations whose mission is to improve environmental quality — is huge. We believe the climate change challenge can be transformed into an opportunity to grow our business in new ways with the help of a re-tooled workforce, all while protecting the planet.

Our future workforce will still have the mission to provide safe and reliable energy. But the future offers a new, exciting prospect for the people of PSEG: to power a green economy. It's a role you might say is a natural for us as a company whose energy flows from outstanding people.



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Students have enrolled through 2007 in our Energy Utility Technology Degree Program.



# • Assist

## Our Communities

One of our greatest sources of pride at PSEG is our tradition of service on behalf of the residents of New Jersey and the other states where we operate. Of course, many companies talk about their community commitment, but we let our actions speak for themselves.

For more than 100 years we have been working to strengthen communities. And our involvement has continued to deepen, as reflected in the range of programs we support. Our community role is about much more than philanthropy, however. It's about making investments that contribute to a bright future for the communities we serve and our company.

The largest gift in the history of the PSEG Foundation — \$5 million — illustrates our commitment to positive local change. This donation spearheaded a successful capital campaign to build the new PSE&G Children's Specialized Hospital in New Brunswick, New Jersey. In December 2007, the new hospital opened to complete a state-of-the-art campus providing a broad range of services to help ensure the best medical outcomes for children.

Also to ensure a brighter future, PSEG invests significantly each year in educational programs and institutions. Education is fundamental to everything that contributes to our quality of life and economic vibrancy. Our initiatives target the needs of students at various levels. They include programs such as PSEG Live Homework Help, a major new effort designed to connect students in targeted New Jersey cities with expert tutors to help them with their homework. This initiative complements our support for other important educational initiatives such as New Jersey After 3, a public-private partnership to expand high-quality, enriching after-school programs across the state.

Another notable new commitment is the PSEG Honors Scholarship Endowment at the Albert Dorman Honors College of the New Jersey Institute of Technology (NJIT).





PSEG has been giving back to the communities we serve for more than 100 years.

# Give



This program establishes an endowment to fund scholarships for young men and women of exceptional educational ability.

Promoting environmental education has taken on new urgency because of climate change. In 2007, PSEG pledged to support an exhibit on global warming at the New Jersey State Museum. The gift is the largest private-sector contribution to the museum's capital campaign to date. It will fund an exhibit designed to educate visitors about the impact of climate change on New Jersey's coastline. It adds to the many other educational initiatives that PSEG supports to help people of all ages develop a deeper appreciation for the environment.

PSEG also is providing a lead gift to support the construction of a state-of-the-art Earth, Ocean and Planetary Sciences building for Rutgers University's Institute for Marine and Coastal Sciences. This donation will facilitate interdisciplinary research, teaching and outreach on the environment.

Our community commitment is also expressed by partnerships with many non-profit organizations working to build safer and healthier communities and protect the environment. We have contributed substantially to American Red Cross chapters in our service areas to support disaster victims and alleviate blood shortages. Our employees have assisted in this effort as blood donors and through their own financial donations.

With every unselfish undertaking, PSEG employees show what it means to be a caring corporate citizen. Our employees are the true heroes of our company's community involvement, in ways that go beyond the vital work they do each day to provide millions of people with safe, reliable energy. Whether they are serving meals at soup kitchens, coaching sports or raising funds for causes like the March of Dimes, our employees define who we are as a company. We will continue to encourage and support their efforts. Our commitment to the communities we serve in New Jersey and elsewhere remains as strong as ever.



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Continuous years of PSEG Environmental Education Grants have promoted teaching about the environment.

## Executive Officers

### Ralph Izzo

Chairman of the Board, President and Chief Executive Officer; Chairman of the Board and Chief Executive Officer of PSE&G, PSEG Energy Holdings, PSEG Power and PSEG Services

### Derek M. DiRiso

Vice President and Controller; Vice President and Controller of PSE&G, PSEG Energy Holdings, PSEG Power and PSEG Services

### Ralph A. La Rossa

President and Chief Operating Officer of PSE&G

### William Levis

President and Chief Operating Officer of PSEG Power

### Thomas M. O'Flynn

Executive Vice President and Chief Financial Officer; President, Chief Operating Officer and Chief Financial Officer of PSEG Energy Holdings; Executive Vice President and Chief Financial Officer of PSE&G and PSEG Power; and Executive Vice President — Finance of PSEG Services

### R. Edwin Selover

Executive Vice President and General Counsel; Executive Vice President and General Counsel of PSE&G, PSEG Energy Holdings, PSEG Power and PSEG Services

### Elbert C. Simpson

President and Chief Operating Officer of PSEG Services

## Board of Directors

**Caroline Dorsa** has been a director since February 2003. Age 48. Member of Audit Committee, Corporate Governance Committee and Finance Committee. Director of PSE&G. Has been Senior Vice President of Global Human Health, Strategy and Integration of Merck & Co., Inc. (Merck), Whitehouse Station, New Jersey, which discovers, develops, manufactures and markets human and animal health products, since February 2008. Was Senior Vice President and Chief Financial Officer of Gilead Sciences, Inc, from November 2007 to January 2008. Was Senior Vice President and Chief Financial Officer of Avaya, Inc., Basking Ridge, New Jersey, from February 2007 to November 2007. Was Vice President and Treasurer of Merck from December 1996 to January 2007.

**Ernest H. Drew** has been a director since January 1993. Age 70. Chair of Corporate Governance Committee and member of Executive Committee, Fossil Generation Operations Oversight Committee and Nuclear Generation Operations Oversight Committee. Was Chief Executive Officer of Industries and Technology Group, Westinghouse Electric Corporation, from July 1997 to December 1997. Was a member, Board of Management of Hoechst AG, Frankfurt, Germany, a manufacturer of pharmaceuticals, chemicals, fibers, film, specialties and advanced materials, from January 1995 to June 1997. Was Chairman of the Board and Chief Executive Officer of Hoechst Celanese Corporation of Somerville, New Jersey from May 1994 until January 1995, and was President and Chief Executive Officer from January 1988 to May 1994. Director of Thomas & Betts Corporation, Ashland Inc. and UQM Technologies, Inc.

**Albert R. Gamper, Jr.** has been a director since December 2000. Age 66. Chair of Audit Committee and member of Executive Committee, Finance Committee and Organization and Compensation Committee. Director of PSE&G. Until retirement, was Chairman of the Board of CIT Group, Inc., Livingston, New Jersey, a commercial finance company, from July 2004 until December 2004. Was Chairman of the Board and Chief Executive Officer of CIT Group, Inc. from September 2003 to July 2004. Was Chairman of the Board, President and Chief Executive Officer of CIT Group, Inc. from June 2002 to September 2003 and was President and Chief Executive Officer of CIT Group, Inc. from February 2002 to June 2002. Was President and Chief Executive Officer of Tyco Capital Corporation from June 2001 to February 2002. Was Chairman of the Board, President and Chief Executive Officer of CIT Group, Inc., from January 2000 to June 2001. Was President and Chief Executive Officer of CIT Group, Inc. from December 1989 to December 1999. Trustee to the Fidelity Group of Funds.

**Conrad K. Harper** has been a director since May 1997. Age 67. Chair of Finance Committee and member of Corporate Governance Committee, Fossil Generation Operations Oversight Committee and Nuclear Generation Operations Oversight Committee. Director of PSE&G. Of counsel to the law firm of Simpson Thacher & Bartlett LLP, New York, New York since January 2003. Was a partner from October 1996 to December 2002 and from October 1974 to May 1993. Was Legal Adviser, U.S. Department of State from May 1993 to June 1996. Director of New York Life Insurance Company.

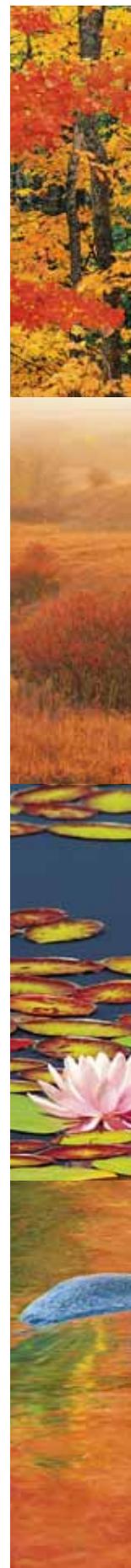
**William V. Hickey** has been a director since October 2001. Age 63. Member of Audit Committee, Fossil Generation Operations Oversight Committee, Nuclear Generation Operations Oversight Committee and Organization and Compensation Committee. Has been President and Chief Executive Officer of Sealed Air Corporation, Saddle Brook, New Jersey, which manufactures food and specialty protective packaging materials and systems, since March 2000. Was President and Chief Operating Officer from December 1996 to February 2000 and, prior to that, Executive Vice President from 1994 to December 1996. Director of Sealed Air Corporation and Sensient Technologies Corporation.

**Ralph Izzo** has been a director since October 2006. Age 50. Director of PSE&G, Energy Holdings and Power. Chair of the Executive Committee. Chairman of the Board, President and Chief Executive Officer of PSEG since April 1, 2007. Was President and Chief Operating Officer of PSEG from October 2006 to April 2007 and President and Chief Operating Officer of PSE&G from October 2003 to October 2006 and was a Vice President in charge of various functions, including Corporate Planning, Appliance Services and Utility Operations from March 1998 to October 2003.

**Shirley Ann Jackson** has been a director since June 2001. Age 61. Chair of Organization and Compensation Committee and member of Audit Committee, Executive Committee and Finance Committee. Has been President of Rensselaer Polytechnic Institute, Troy, New York, since July 1999. Was previously a director of PSEG from 1987 to 1995, prior to becoming Chair, U.S. Nuclear Regulatory Commission, from July 1995 to July 1999. Was Professor of Theoretical Physics, Rutgers University and a consultant in semiconductor theory to AT&T Bell Laboratories from 1991 to 1995. Director of FedEx Corporation, IBM Corporation, Marathon Oil Corporation, Medtronic, Inc. and the New York Stock Exchange, Inc.

**Thomas A. Renyi** has been a director since February 2003. Age 62. Member of Audit Committee, Corporate Governance Committee, Finance Committee and Organization and Compensation Committee. Has been Executive Chairman of the Bank of New York Mellon Corporation, New York, New York, a provider of banking and other financial services to corporations and individuals, since July 2007. Was Chairman of the Board and Chief Executive Officer of The Bank of New York Company, Inc., and The Bank of New York, from February 1998 to July 2007. Was President and Chief Executive Officer of The Bank of New York Company, Inc. from July 1997 to January 1998 and President of The Bank of New York from March 1992 to December 1994. Was President and Chief Executive Officer of The Bank of New York from January 1996 to January 1998 and President and Chief Operating Officer from December 1994 to December 1995. Director of The Bank of New York Mellon Corporation and The Bank of New York.

**Richard J. Swift** has been a Director since December 1994. Age 63. Has been Presiding Director since June 2007. Chair of Nuclear Generation Operations Oversight Committee, Chair of Fossil Generation Operations Oversight Committee, and member of Corporate Governance Committee, Executive Committee and Organization and Compensation Committee. Was Chairman of the Financial Accounting Standards Advisory Council from January 2002 to December 2006. Was Chairman of the Board, President and Chief Executive Officer of Foster Wheeler Ltd., Clinton, New Jersey, which provides design, engineering, construction, manufacturing, management, plant operations and environmental services, from April 1994 until October 2001. Was President and Chief Operating Officer of Foster Wheeler Ltd. from December 1992 to April 1994. Director of CVS Caremark Corporation, Hubbell Incorporated, Ingersoll-Rand Limited and Kaman Corporation.



## Stockholder Information

### Stock Exchange Listings

New York (PSEG common and preferred, and PSE&G preferred) 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 (NJPAC), One Center Street, Newark, New Jersey, on Tuesday, April 15, 2008 at 2p.m.

### Stockholder Services

Please include your account number or social security 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 BNY Stockholder Services site:

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

The Bank of New York'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)

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

### Mailing address:

The Bank of New York  
Shareholder Relations Dept.  
P.O. Box 11258  
Church Street Station  
New York, NY 10286-1258

### Security Analysts and Institutional Investors

For information contact:

Vice President – Investor Relations 973-430-6565

### Transfer Agents

The transfer agent for the common and preferred stocks is:

The Bank of New York  
101 Barclay Street, 11E  
New York, NY 10286

### 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. Regular quarterly dividends on PSE&G's preferred stock are 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 and preferred 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 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 the company, or take advantage of DRS, a convenient service for holding and tracking your shares and still receive a paid dividend.

### Common Stock – Market Price and Dividend Per Share\*

	2007			2006		
	high	low	div.	high	low	div.
1st Quarter	\$42.12	\$32.16	\$.2925	\$36.23	\$31.99	\$.285
2nd Quarter	46.90	41.02	.2925	33.82	29.50	.285
3rd Quarter	46.66	38.66	.2925	36.31	30.24	.285
4th Quarter	49.88	43.48	.2925	34.05	29.56	.285

\*Amounts reflect 2:1 stock split effective February 4, 2008.

The number of holders of record of Public Service Enterprise Group Incorporated common shares as of December 31, 2007 was 88,887.

### Annual Certifications

The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 were filed as exhibits to our Annual Report on Form 10-K for the 2007 fiscal year. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

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 estimates change, unless otherwise required by applicable securities laws.



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