

*We have the **energy** to make things better.*

[ ... for you, for our communities and for our future. ]

Annual Report 2011



## [ PSEG overview ]

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.

### 2011 Financial Highlights

Dollars in millions, where applicable	2011	2010	% change
Total Revenues	\$ 11,079	\$ 11,793	-6
Income from Continuing Operations	\$ 1,407	\$ 1,557	-10
Pro Forma Operating Earnings (Non-GAAP)	\$ 1,389	\$ 1,584	-12
Net Income	\$ 1,503	\$ 1,564	-4
Earnings Per Share-Diluted			
Income from Continuing Operations	\$ 2.77	\$ 3.07	-10
Pro Forma Operating Earnings (Non-GAAP)	\$ 2.74	\$ 3.12	-12
Net Income	\$ 2.96	\$ 3.08	-4
Weighted average common stock shares outstanding (thousands)			
Diluted	506,982	507,045	0
Dividends Paid per Share	\$ 1.37	\$ 1.37	0
Book Value per Share – Year-end	\$ 20.30	\$ 19.04	7
Market Price per Share – Year-end	\$ 33.01	\$ 31.81	4
Total Assets	\$ 29,821	\$ 29,909	0

Note: Pro Forma Operating Earnings in 2011 exclude the net after-tax gains for NDT Fund related activity of \$50 million, or \$0.10 per share, net mark-to-market gains of \$107 million, or \$0.21 per share, an after-tax charge of \$173 million, or \$0.34 per share, for lease transaction losses, and an after-tax gain of \$34 million, or \$0.06 per share related to an asset sale. 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.

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* ]



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

In 2011, we continued to build our reputation as a highly reliable, financially strong and environmentally responsible energy company, with the ongoing support of our dedicated workforce. We achieved notable successes in spite of many challenges from extreme weather to difficult energy markets.

Our employees performed heroically in responding to two of the most devastating storms in PSEG history, demonstrating again that people remain the foundation of all our success. They exemplify why we repeatedly say, “We have the energy to make things better.”

Our reputation for reliability opened new business opportunities. In December 2011, we were awarded a 10-year contract by the Long Island Power Authority (LIPA) to manage LIPA’s electric transmission and distribution system, which serves 1.1 million customers.

Our businesses generated strong cash flows and earnings. We delivered operating earnings at the upper end of our forecast for the year though down from 2010. We added to one of the longest records in corporate America for paying dividends, extending over 105 consecutive years.

We further increased our financial strength. And we continued to invest in areas that offer attractive opportunities for growth yielding favorable risk-adjusted returns.

Our focus on environmental responsibility has positioned us for the future as well. We are seen as an industry leader on the environment not only because we speak out on the issues, but because we have invested in clean generation technologies to reduce emissions of mercury and other pollutants from our coal-fired power plants to a tiny fraction

of former levels. And we are a leader in showing that utilities can be instrumental in supporting a sustainable future through innovative green energy solutions along with a modernized infrastructure to better serve their customers and communities.

Successful energy companies strive to align their businesses closely with the goals of society. We are proud of our strong relationships with the communities we serve. In 2011, we deepened our partnership with the people of New Jersey through wide-ranging efforts to help the state achieve its economic and energy goals. Our positive impact on New Jersey was felt in communities throughout the state, where in a typical year we do more than \$1 billion in business with other companies.

To a large extent, our success is due to a relentless focus on operational excellence, financial strength and disciplined investment. While these fundamentals are familiar, they will continue to be the pillars of our strategy for one simple reason: They work. Though our stock was up only modestly last year, we believe that our attention to ensuring a strong balance sheet, our disciplined investment program and practice of returning cash to shareholders provide a sustainable growth-and-value proposition and will help us weather the industry-wide effects of lower power prices.

### *Building on a Decade of Reliability Leadership*

PSE&G, our New Jersey electric and gas delivery utility, was again recognized for superior reliability in 2011. PSE&G has won awards as the most reliable electric utility in its region for 10 consecutive years.

In 2011, we had two historic storms within two months – Hurricane Irene in late August, and a highly unusual October snowstorm. In each instance, the men and

women of Public Service banded together with a common purpose – to help our customers when they needed us most. Following Hurricane Irene, 800,000 electric customers were restored within five days. And after the October snowstorm, which was an even greater challenge because of damage from falling trees, 570,000 electric customers were restored within seven days. Our customers were grateful for what was done on their behalf. Many public officials thanked our employees as well.

In a difficult economic climate, we continued to assist customers who needed help in paying their bills. And we passed through additional savings to our customers from falling fuel prices. PSE&G residential gas customers have saved more than 35 percent in supply costs during the last three years.

### *Producing Value with our Generation Fleet*

We have a strong focus on maximizing the value of our assets. PSEG Power, our large wholesale generation supply business, has increasingly benefited from excellent operations. PSEG Power has a diverse, low-cost portfolio of generation assets located near load centers in attractive markets in the Northeastern U.S.

Our nuclear facilities in southern New Jersey play a critical role in supporting the local, state and regional economy. In 2011, our nuclear plants continued to perform well, operating at a 93 percent capacity factor. Our Hope Creek nuclear unit set a new record for generation output. Both Hope Creek and Salem were approved for 20-year license extensions, positioning these facilities so that they will remain vital resources long into the future.

When the weather heated up to historically high temperatures this summer, our power plants were ready and available to help keep our customers cool and comfortable. We took advantage of the flexibility provided by the diversity of our fleet. The availability of our combined-cycle capacity in an environment of low natural gas prices

helped us to meet demand in the most economic way.

We believe our environmental leadership also provides significant advantages. Our coal fleet is one of the cleanest in the nation, and we are benefiting from significant efficiency improvements in our coal fleet to help us maintain fuel flexibility as well. The bulk of our environmental compliance capital program at PSEG Power has been completed, placing us in a good position to meet anticipated regulatory requirements. Indeed, new clear air rules issued by the U.S. Environmental Protection Agency in 2011 are in line with improvements we have already made, and should further enhance our competitive position.

### *Increasing our Financial Strength*

Our financial strength is of extraordinary importance in a challenging business environment. Not only has energy demand been driven lower by a struggling economy; energy prices are lower, due in part to abundant shale gas. This could impact our business in future years.

We are very mindful of these issues and focused on long-term value. By building a strong balance sheet and controlling our expenses, we have fortified ourselves for various market conditions. We have one of the strongest balance sheets in the industry as well as credit ratings in a desirable range. We are determined to stay in solid financial shape.

We have continued our focus on careful cost management, and as in past years, we benefited from strong labor-management relations. In 2011, PSE&G successfully negotiated a new contract with customer operations employees that preserves jobs while helping us become more efficient.

Also, we further reduced risk by selling non-core assets. In 2011, we completed the sale of our Texas generating stations. On another front, we sold our Denver commercial real estate holding. And we resolved the Dynegy lease litigation in a way that minimizes risk.

Financial strength enhances our ability to sustain superb operations, deploy capital effectively and seize good opportunities as they arise. We expect to meet our capital requirements without needing to issue additional equity, while providing total shareholder returns through a combination of our dividend and execution of our long-term growth strategy.

### *Upgrading Infrastructure to Ensure Reliability*

We are using our financial strength to good advantage. In a highly disciplined manner, we are pursuing \$5 billion in growth investments over three years. While investing in good opportunities across our business, we have made especially impressive strides at our regulated utility, PSE&G. Our capital expenditure plan includes over \$6.8 billion in spending over the next three years, three-quarters of which is at PSE&G and a little more than half of which is in the transmission area.

We are moving ahead with major transmission projects that will help maintain and improve reliability for our customers, create jobs and bolster New Jersey's economy. Among these is the Susquehanna to Roseland (S-R) line, which pending necessary approvals, we are building in conjunction with PPL Energy. In 2011, the S-R line was placed on a list of projects for oversight from a new federal Rapid Response Team, with the aim of coordinating and expediting the federal permitting process.

Also during the year, we received approval to expand our investments in gas and electric infrastructure improvements on an accelerated basis, by about \$273 million through 2012, to further stimulate New Jersey's economy and create jobs. Since 2009, our accelerated infrastructure investments have created more than 1,300 jobs while strengthening our electric and gas distribution systems. Whenever possible, we use local suppliers and contractors for these projects in addition to our own skilled workforce.

### *Expanding Access to Green Energy*

PSE&G's role begins with but does not end with delivering gas and electricity safely and reliably to our customers. We have shown that utilities can be important allies of society in addressing a range of pressing needs – for economic growth, good jobs, a healthy environment and thriving communities. We are in the forefront of efforts nationally to deploy low-cost utility capital to expand access to energy efficiency and renewable solar power – areas in which our combined investments total more than \$1 billion.

Energy efficiency helps customers save energy and money. In 2011, we received regulatory approval to invest an additional \$95 million to expand our energy-efficiency initiatives. This builds on \$212 million in previously approved investments to bring energy efficiency measures to customers who otherwise might not have been able to afford them. A major thrust of this effort includes a highly successful program for hospitals – the only initiative of its type in the nation where the utility bears the up-front capital costs.

Also, in New Jersey, we are investing more than \$700 million in solar projects. Our utility is playing a major role in growing a new green industry: New Jersey now has more solar installations than any other state except California. By the time our existing solar programs are completed, we expect they will have created over 1,000 jobs.

In 2011, these efforts gained further momentum. By the end of the year, PSE&G had placed 19 solar projects in service, and installed about 120,000 pole-attached solar units. We are looking to do even more, with a focus on large solar projects on landfills and former industrial sites that can be brought back to life, making a difference for communities.

We are active in solar energy projects beyond our New Jersey service territory. Our PSEG Solar Source subsidiary has developed facilities in three states and recently added a facility in Arizona to its portfolio.



## *Investing in New, Clean and Efficient Generation*

The energy markets in our region are working to provide clean, efficient generation and other innovative energy solutions, including conservation. We will continue to support solutions that promote investment and economic growth, while keeping costs as low as possible for customers.

A little more than a year ago, we completed the installation of \$1.3 billion in advanced emissions controls at our Mercer and Hudson coal-fueled stations. These projects created 1,600 construction jobs and enabled us to add full-time positions. The plants are now two of the cleanest coal-fueled power plants in America.

We are building a total of 400 megawatts of new peaking generation in New Jersey and Connecticut. We expect these new units to be available this June.

Improvements have enabled us to expand the capacity of our existing nuclear units, and these efforts continue. Meanwhile, new nuclear remains an important option over the long term. We are seeking an early site permit for an additional nuclear unit at our existing nuclear site in southern New Jersey to keep this option open.

## *Contributing to a Brighter Future*

Our commitment to New Jersey, and to all the communities we serve, remains as strong as ever. PSEG's impact is especially large in New Jersey. It includes \$1 billion in wages paid annually, \$1 billion spent with New Jersey businesses, \$158 million paid to New Jersey retirees and survivors, and \$375 million paid in local and state taxes. Approximately \$100 million of the almost \$700 million we pay annually in dividends goes to shareholders in New Jersey. Our energy contributes to the quality of life everywhere we operate.

PSEG has gained increasing recognition as a leader in promoting a sustainable future. In 2011, PSEG was included for the second time in the Dow Jones Sustainability World Index and was one of only two U.S. utilities so selected. In addition, PSEG was named for the fourth time to the Dow Jones Sustainability Index for North America.

We believe the future can be even brighter for an operationally excellent, integrated generation, transmission and distribution business such as PSEG. We continue to benefit from a solid business mix, including a large merchant energy business anchored by a well-run, low-cost generation fleet, and a regulated utility that wins reliability awards year after year. Our environmental profile continues to set us apart from many others in the industry.

Above all, we have a terrific workforce. I wish to thank our employees for all their fine work in 2011. With their continued support, I am confident that the best is yet to come for a leading company and its people in 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, 2012

## [ 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 the Executive Vice President, International Operations 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 (NJPAC), One Center Street, Newark, New Jersey, on Tuesday, April 17, 2012 at 1 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 Computershare Shareowner Services site: [www.bnymellon.com/shareowner/equityaccess](http://www.bnymellon.com/shareowner/equityaccess)  
The Computershare website offers online access and transaction processing to shareholders.

### How to contact Shareowner 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/equityaccess](http://www.bnymellon.com/shareowner/equityaccess)

### Mailing address:

Computershare  
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: Computershare (which acquired The Bank of New York Mellon Shareowner Services on 12/31/11)  
Shareowner Services Dept.  
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 the Computershare website [www.bnymellon.com/shareowner/equityaccess](http://www.bnymellon.com/shareowner/equityaccess) or by contacting Computershare by phone. It's a free service.

### Deposit of Certificates

To eliminate the risk and cost of loss, shareholders can deposit their certificates with Computershare, or take advantage of DRS, a convenient service for holding and tracking your shares and still receive a paid dividend. For more information, contact Computershare 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, consequences and all other statements that are not purely historical, are forward-looking statements for purposes of the safe harbor provisions under The Private Securities Litigation Reform Act of 1995. 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 the date hereof 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)



Jeff Graham, senior test engineer – PSEG Fossil, and daughter Emma grace the cover of this annual report. Proud of his 22 years with PSEG, Jeff represents our company’s greatest, most valuable asset – an extraordinary team of talented and dedicated employees, almost 10,000 strong.

Ten-year-old Emma represents our future.