



PSEG

Public Service Enterprise Group

PSEG Earnings Conference Call
4th Quarter and Year-End 2008

February 3, 2009

Forward-Looking Statement

Readers are cautioned that statements contained in this presentation about our and our subsidiaries' future performance, including 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 reasonable assumptions, we can give no assurance they will be achieved. The results or events predicted in these statements may differ materially from actual results or events. Factors which could cause results or events to differ from current expectations include, but are not limited to:

- Adverse changes in energy industry, policies and regulation, including market structures and rules.
- Any inability of our energy transmission and distribution businesses to obtain adequate and timely rate relief and regulatory approvals from federal and state regulators.
- Changes in federal and state environmental regulations that could increase our costs or limit operations of our generating units.
- Changes in nuclear regulation and/or developments in the nuclear power industry generally, that could limit operations of our nuclear generating units.
- Actions or activities at one of our nuclear units that might adversely affect our ability to continue to operate that unit or other units at the same site.
- Any inability to balance our energy obligations, available supply and trading risks.
- Any deterioration in our credit quality.
- Availability of capital and credit at reasonable pricing terms and our ability to meet cash needs.
- Any inability to realize anticipated tax benefits or retain tax credits.
- Increases in the cost of or interruption in the supply of fuel and other commodities necessary to the operation of our generating units.
- Delays or cost escalations in our construction and development activities.
- Adverse investment performance of our decommissioning and defined benefit plan trust funds, and changes in discount rates and funding requirements.
- Changes in technology and increased customer conservation.

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

GAAP Disclaimer

PSEG presents Operating Earnings in addition to its Net Income reported in accordance with accounting principles generally accepted in the United States (GAAP). Operating Earnings is a non-GAAP financial measure that differs from Net Income because it excludes the impact of the sale of certain non-core domestic and international assets and material impairments and lease-transaction-related charges. PSEG presents Operating Earnings because management believes that it is appropriate for investors to consider results excluding these items in addition to the results reported in accordance with GAAP. PSEG believes that the non-GAAP financial measure of Operating Earnings provides a consistent and comparable measure of performance of its businesses to help shareholders understand performance trends. This information is not intended to be viewed as an alternative to GAAP information. The last slide in this presentation includes a list of items excluded from Income from Continuing Operations to reconcile to Operating Earnings, with a reference to that slide included on each of the slides where the non-GAAP information appears.

PSEG 2008 Q4 Review

Ralph Izzo

Chairman, President and Chief Executive Officer

Q4 2008 Earnings Summary

Quarter ended December 31,

\$ millions (except EPS)	2008	2007
Operating Earnings	\$ 250	\$ 272
Asset Sales and Impairments	(13)	(53)
Income from Continuing Operations	237	219
Discontinued Operations	(3)	6
Net Income	234	225
<i>EPS from Operating Earnings*</i>	\$ 0.49	\$ 0.53

Full-year 2008 Earnings Summary

For the year ended December 31,

\$ millions (except EPS)	2008	2007
Operating Earnings	\$ 1,487	\$ 1,385
Lease Reserves	(490)	---
Asset Sales and Impairments	(14)	(60)
Income from Continuing Operations	983	1,325
Discontinued Operations, net of tax	205	10
Net Income	1,188	1,335
<i>EPS from Operating Earnings*</i>	\$ 2.92	\$ 2.72

PSEG – 2008: Answering Challenges – Meeting Objectives

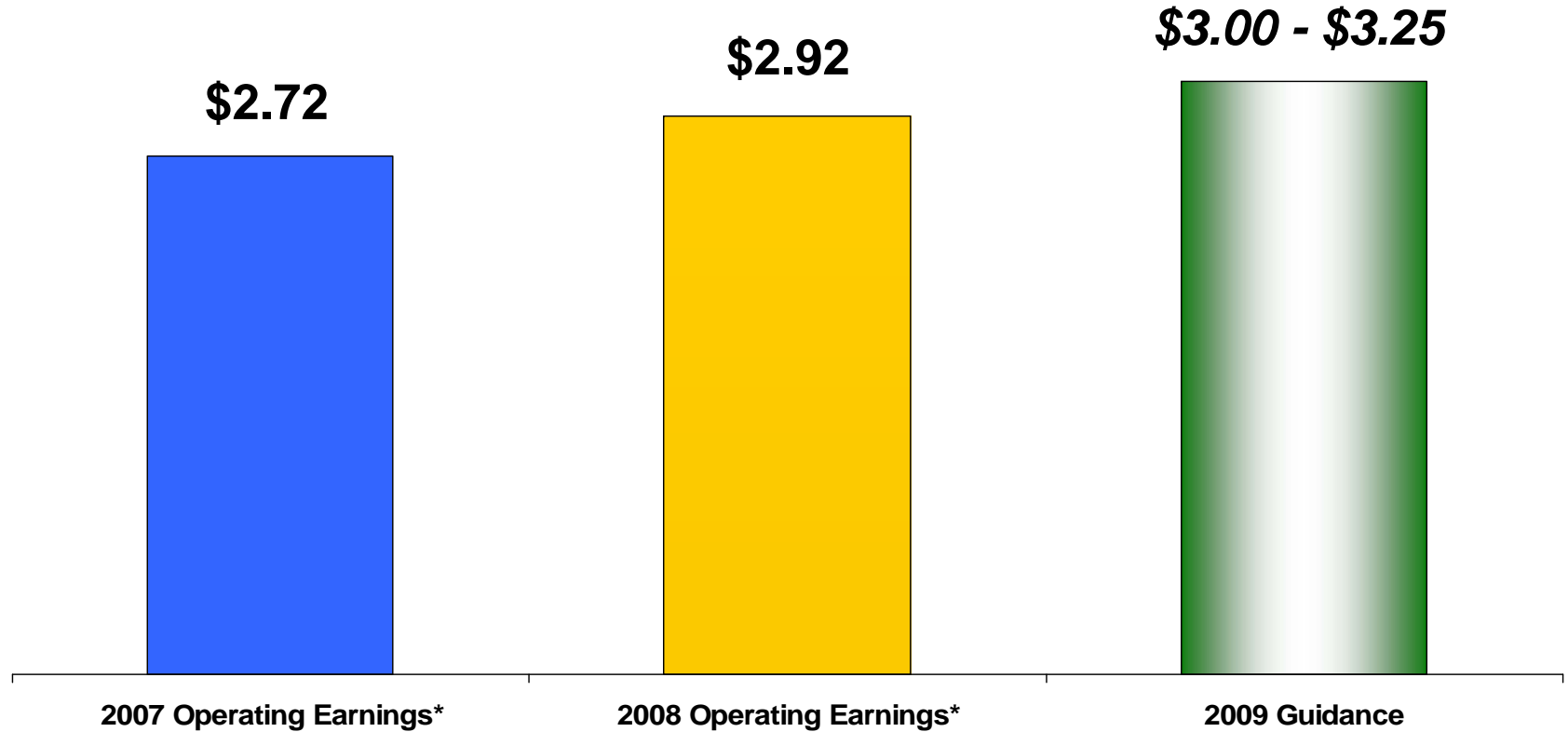
- ✓ 2008 earnings within guidance

- ✓ Focused on operational excellence
 - ✓ Record generation production
 - ✓ Top decile reliability standards maintained at PSE&G
 - ✓ Controlling operating and maintenance expenses to meet challenging economic environment

- ✓ Foundation laid for future
 - ✓ Carbon abatement
 - ✓ Capital infrastructure and energy efficiency capital programs
 - ✓ Generation environmental upgrades on target; within budget

- ✓ Financial position strengthened; risk reduced
 - ✓ Major international assets sold
 - ✓ Debt reduced
 - ✓ Credit targets achieved
 - ✓ Additional reserve for LILLO/SILO tax risk recognized

PSEG – 2009: Meeting the Challenge



* See page 32 for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

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2008 Q4 Operating Company Review

Tom O'Flynn

Executive Vice President and Chief Financial Officer

Q4 Operating Earnings by Subsidiary

Quarter ended December 31,

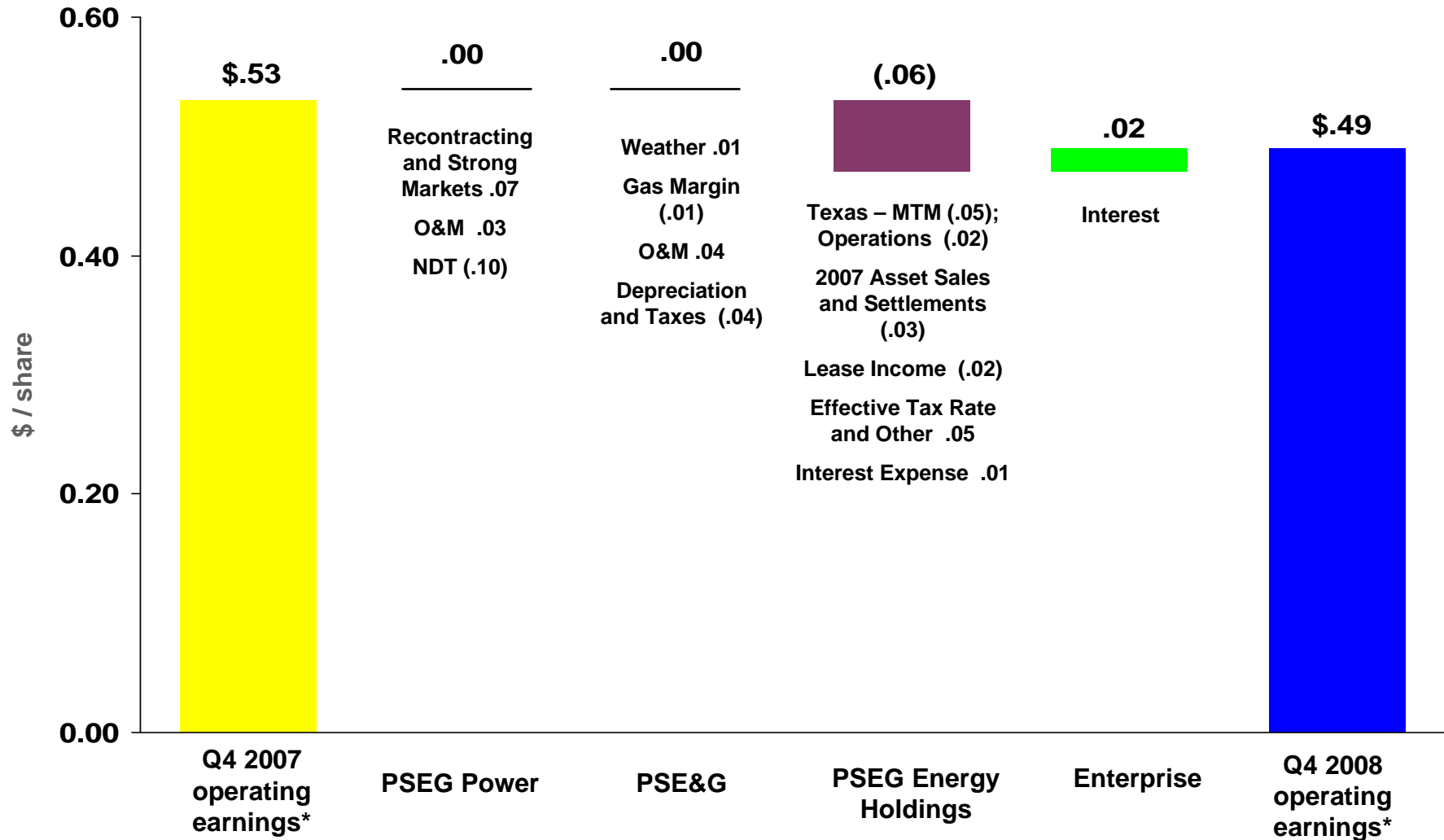
	Operating Earnings		Earnings per Share	
\$ millions (except EPS)	2008	2007	2008	2007
PSEG Power	\$ 207	\$ 205	\$ 0.40	\$ 0.40
PSE&G	76	77	0.15	0.15
PSEG Energy Holdings	(23)	10	(0.04)	0.02
Enterprise	(10)	(20)	(0.02)	(0.04)
<i>Operating Earnings*</i>	\$ 250	\$ 272	\$ 0.49	\$ 0.53

Full-year 2008 Operating Earnings by Subsidiary

For the year ended December 31,

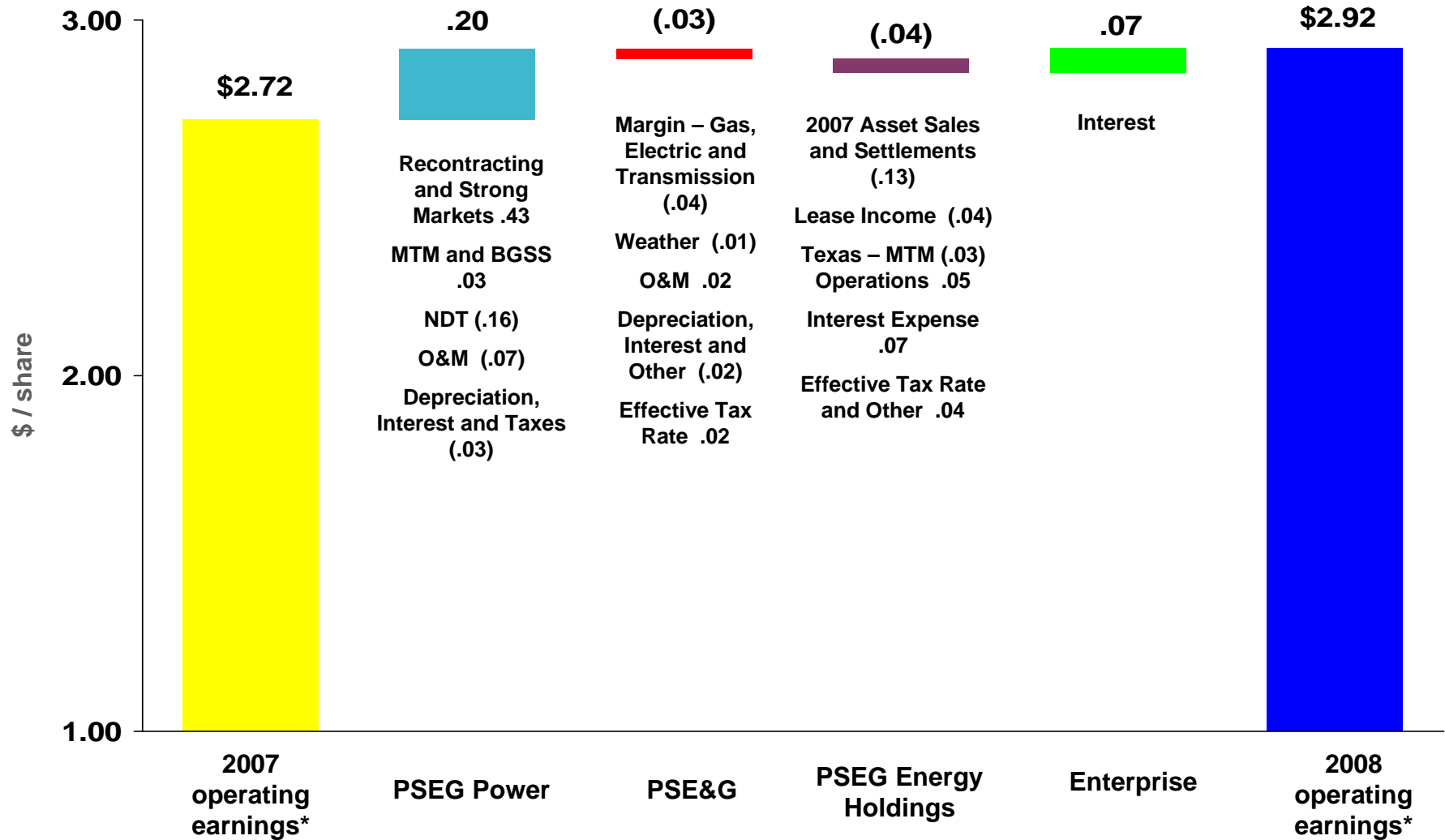
	Operating Earnings		Earnings per Share	
\$ millions (except EPS)	2008	2007	2008	2007
PSEG Power	\$ 1,050	\$ 949	\$ 2.06	\$ 1.86
PSE&G	360	376	0.71	0.74
PSEG Energy Holdings	101	123	0.20	0.24
Enterprise	(24)	(63)	(0.05)	(0.12)
<i>Operating Earnings*</i>	\$ 1,487	\$ 1,385	\$ 2.92	\$ 2.72

PSEG EPS Reconciliation – Q4 2008 versus Q4 2007



* See page 32 for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSEG EPS Reconciliation – Full-year 2008 versus Full-year 2007



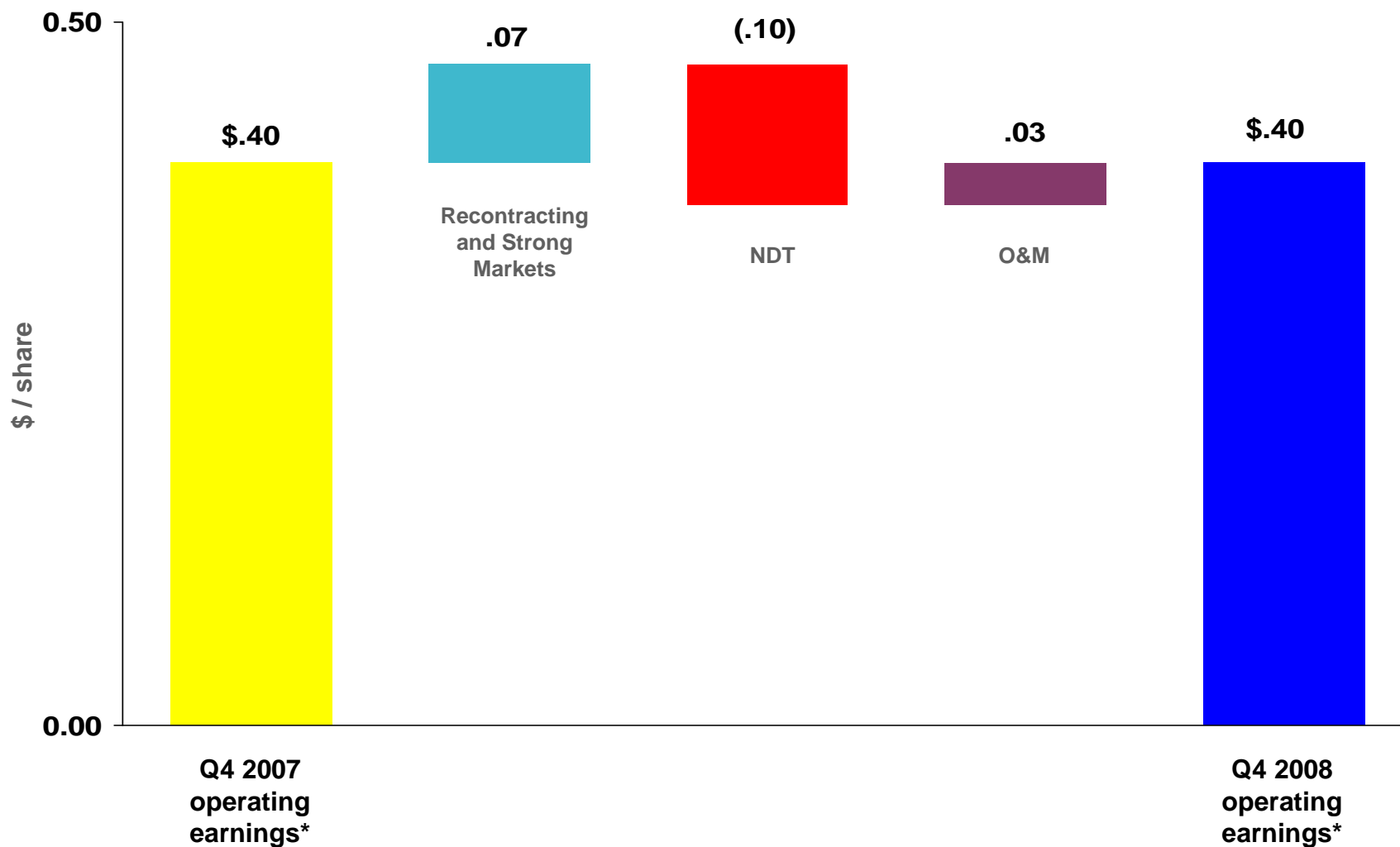
* See page 32 for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSEG Power 2008 Q4 Review

PSEG Power – Q4 2008 EPS Summary

\$ millions (except EPS)	Q4 2008	Q4 2007	Variance
Operating Revenues	\$ 1,939	\$ 1,762	\$ 177
Operating Earnings	207	205	2
Income from Continuing Operations/ Net Income	207	205	2
<i>EPS from Operating Earnings*</i>	\$ 0.40	\$ 0.40	---

PSEG Power EPS Reconciliation – Q4 2008 versus Q4 2007

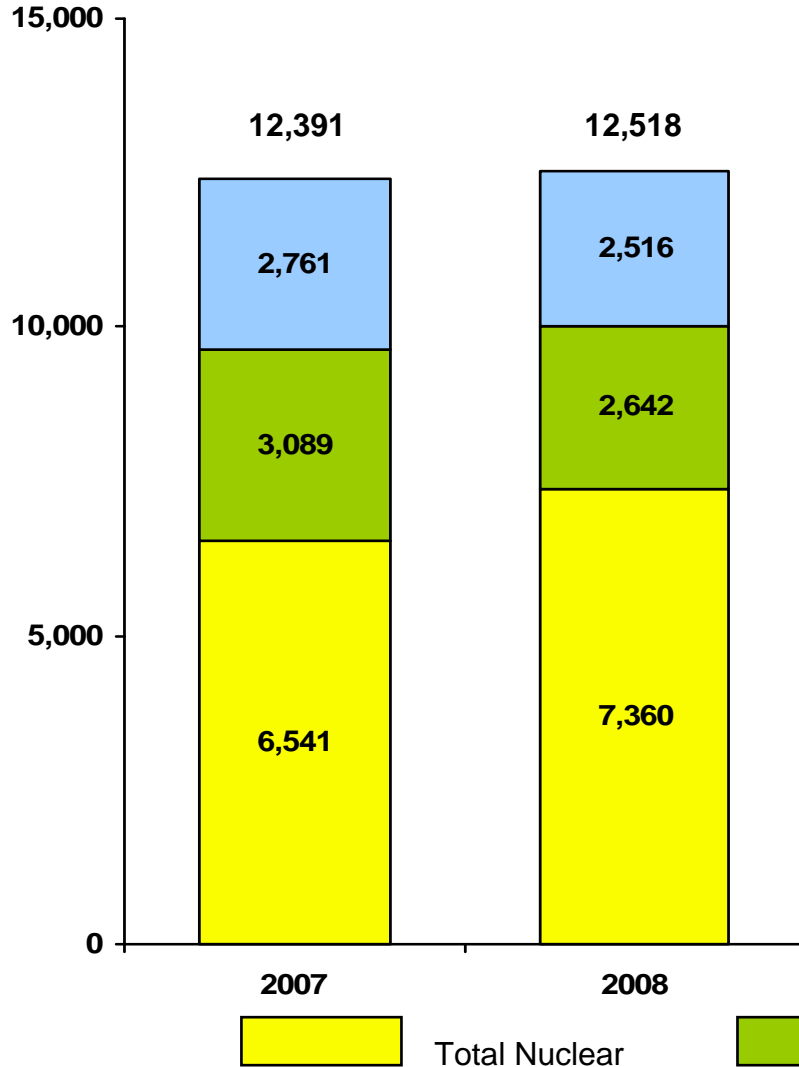


* See page 32 for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

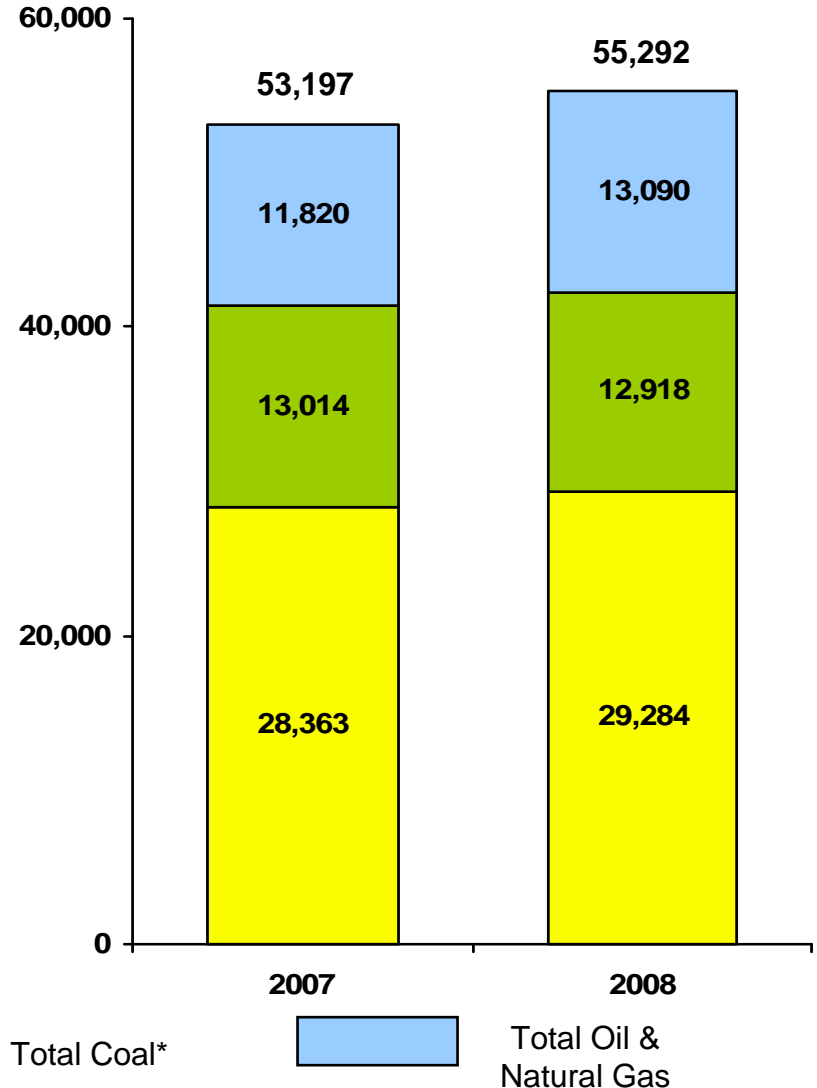
PSEG Power – Generation Measures

PSEG Power – Generation (GWh)

Quarter ended December 31,



Twelve months ended December 31,



* Includes figures for Pumped Storage

PSEG Power – Fuel Costs

PSEG Power – Fuel Costs

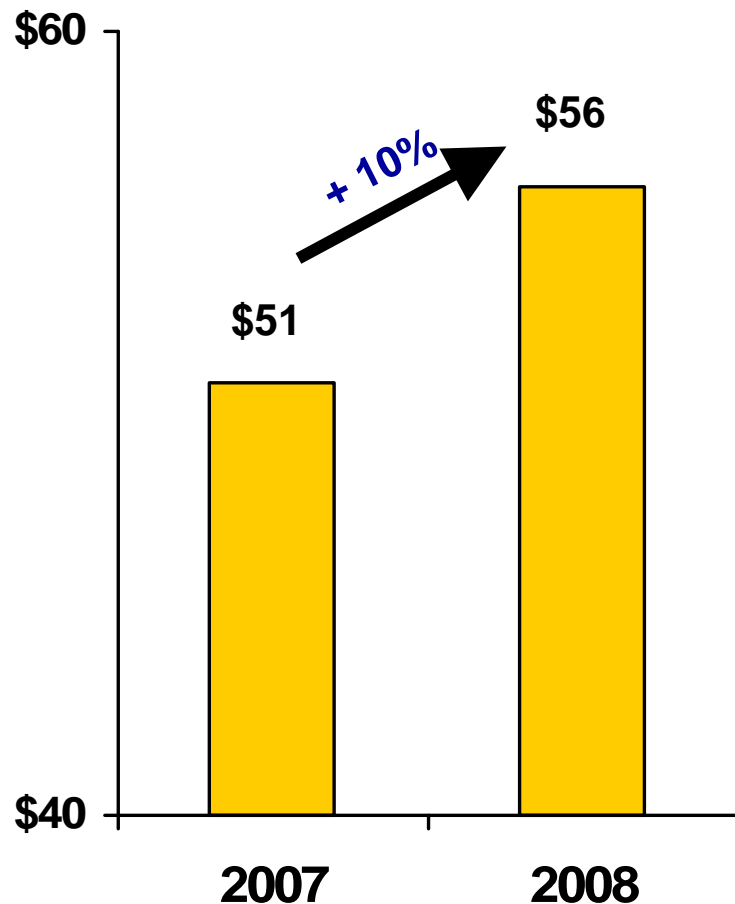
	Quarter ended December 31,	
(\$ millions)	2007	2008
Coal	84	92
Oil & Gas	200	192
Total Fossil	\$284	\$284
Nuclear	28	33
Total Fuel Cost	\$312	\$317
Total Generation (GWhr)	12,391	12,518
\$ / MWh	\$25.20	\$25.30

	Year ended December 31,	
(\$ millions)	2007	2008
Coal	336	423
Oil & Gas	847	1141
Total Fossil	\$1,183	\$1,564
Nuclear	122	129
Total Fuel Cost	\$1,305	\$1,693
Total Generation (GWhr)	53,197	55,292
\$ / MWh	\$24.50	\$30.60

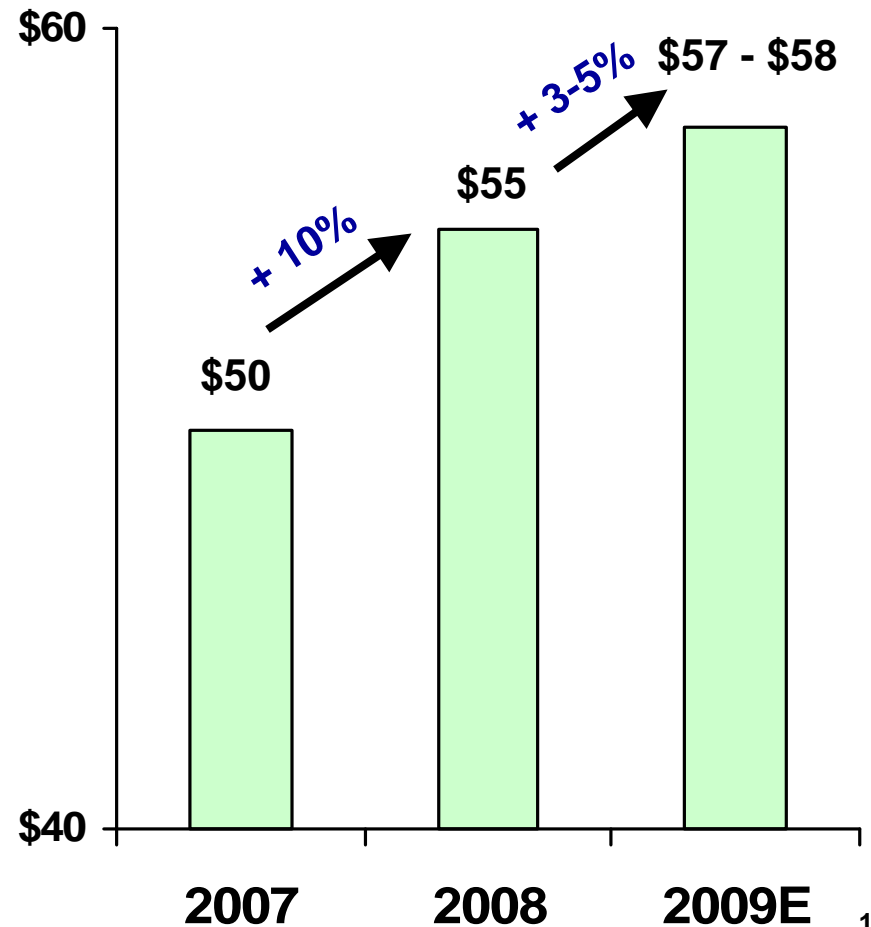
Strong Pricing Supports Margin Improvement

PSEG Power Gross Margin* (\$/MWh)

Quarter ended December 31,



Twelve months ended December 31,



PSEG Power – Q4 Operating Highlights

Operations

- ✓ 4Q output +1%; full-year increase of 3.9% leading to record production.
 - ✓ 4Q nuclear capacity factor at 91.3%; full-year at 92.6%.
 - ✓ Coal plant availability affected by BET related work.
- ✓ Environmental work at Hudson and Mercer proceeding on schedule; on budget.

Regulatory and Market Environment

- ✓ Renegotiated contract with Indonesian coal supplier.
- ✓ Seeing impact on pricing from declining economic growth.
- ✓ CAIR reinstated; too early to predict impact of change in administration on energy and environmental policy.

Financial

- ✓ \$25 million dividend paid to Enterprise in 4Q; \$500 million for full-year.
- ✓ Successful launch of \$500 million retail MTN program.

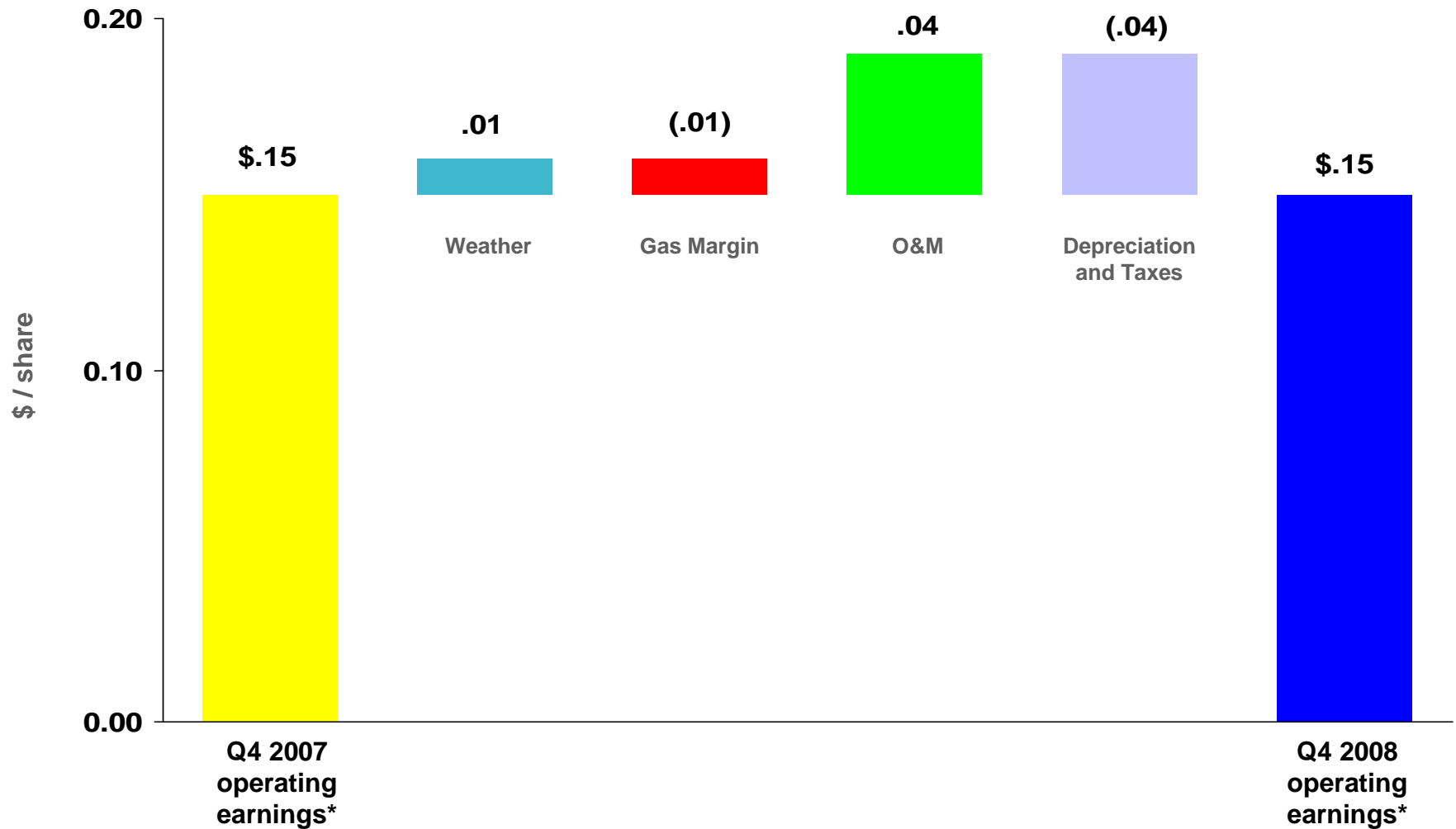
PSE&G

2008 Q4 Review

PSE&G – Q4 2008 Earnings Summary

\$ millions (except EPS)	Q4 2008	Q4 2007	Variance
Operating Revenues	\$ 2,288	\$ 2,153	\$ 135
Operating Expenses			
Energy Costs	1,545	1,415	130
Operation & Maintenance	345	361	(16)
Depreciation & Amortization	140	142	(2)
Taxes Other than Income Taxes	35	35	---
Total Operating Expenses	2,065	1,953	112
Operating Earnings	76	77	(1)
Income from Continuing Operations/ Net Income	76	77	(1)
<i>EPS from Operating Earnings*</i>	\$ 0.15	\$ 0.15	---

PSE&G EPS Reconciliation – Q4 2008 versus Q4 2007



* See page 32 for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSE&G – Q4 Operating Highlights

Operations

- ✓ Declining economic growth having impact on sales growth.
- ✓ O&M costs remain under control.
- ✓ Focused on containing impact of economic fallout on customers and accounts through support of outreach programs.

Regulatory and Market Environment

- ✓ PSE&G filed for NJ BPU approval to construct the Susquehanna – Roseland transmission line. The \$750 million project is scheduled to be in-service by year-end 2012.
- ✓ NJ BPU approved a four-year \$46 million program to curb energy consumption and reduce CO₂ emissions.
- ✓ PSE&G proposed a two-year \$888 million capital program supporting energy infrastructure (\$698 million) and energy efficiency (\$190 million).

Financial

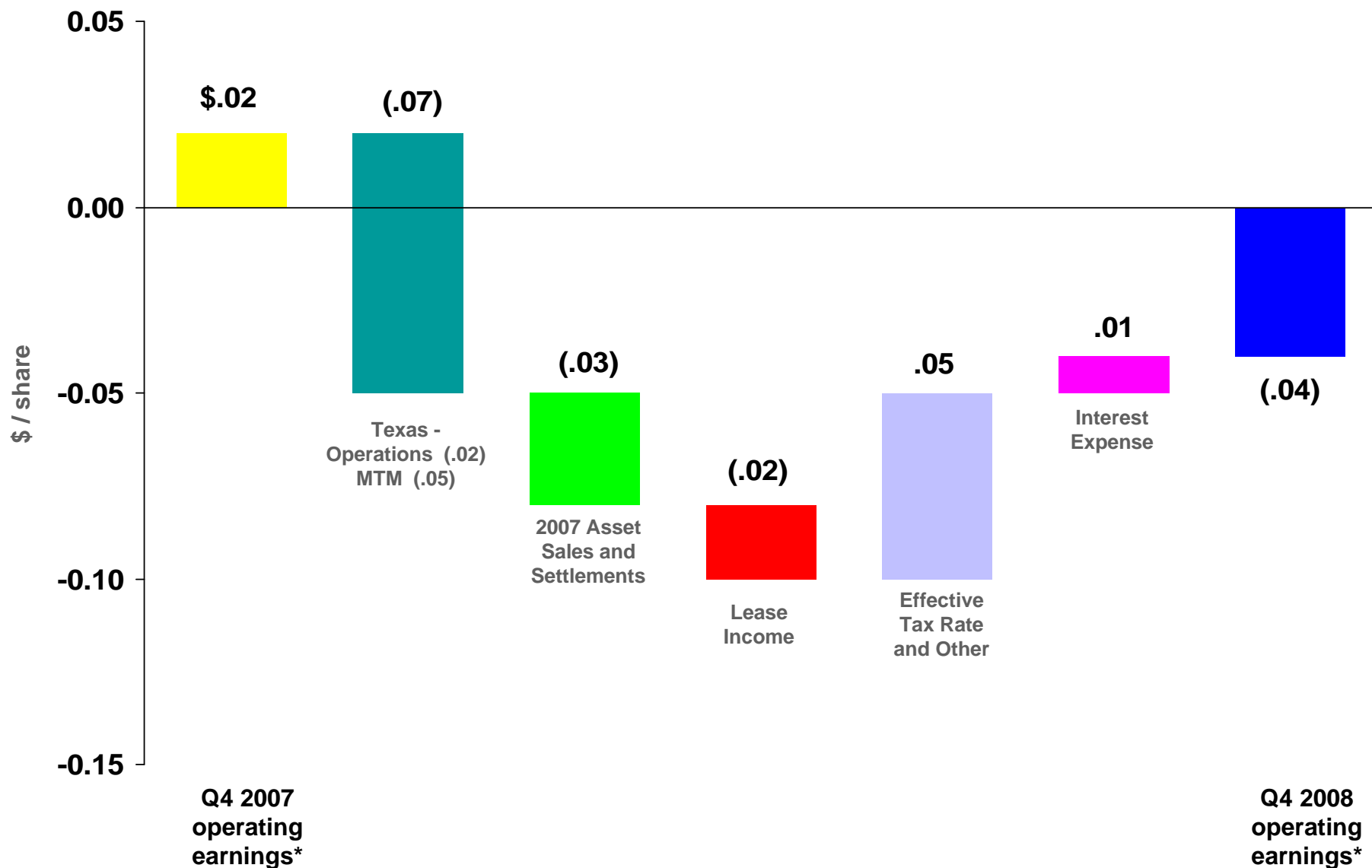
- ✓ Outlook for electric sales growth hurt by weak economy.
- ✓ Capital to be invested in areas with regulatory support.

PSEG Energy Holdings 2008 Q4 Review

PSEG Energy Holdings – Q4 2008 Earnings Summary

\$ millions (except EPS)	Q4 2008	Q4 2007	Variance
Operating (Loss) / Earnings	(\$ 23)	\$ 10	(\$ 33)
Asset Sales and Impairments	13	53	(40)
Loss from Continuing Operations	(36)	(43)	7
Discontinued Operations	(3)	6	(9)
Net Loss	(39)	(37)	(2)
<i>EPS from Operating (Loss) / Earnings*</i>	(\$ 0.04)	\$ 0.02	(\$0.06)

PSEG Energy Holdings EPS Reconciliation – Q4 2008 versus Q4 2007



* See page 32 for Items excluded from Income from Continuing Operations to reconcile to Operating Earnings.

PSEG Energy Holdings – Q4 Operating Highlights

Operations

- ✓ Texas – 2,000 MW gas-fired combined cycle capacity
 - ✓ 1,000 MW Guadalupe facility experienced improved capacity factor and spark spreads.
 - ✓ 1,000 MW Odessa facility experienced a reduction in capacity and availability.

	Spark Spread				Production (GWh)			
	4Q 2007	4Q 2008	2007	2008	4Q 2007	4Q 2008	2007	2008
Guadalupe	\$10.30	\$14.83	\$14.77	\$24.56	.85	1.15	4.20	4.98
Odessa	\$26.88	\$26.37	\$23.16	\$32.72	.82	.45	4.30	2.85

Regulatory and Market Environment

- ✓ Submitted RFP on 500 MW of 1,000 MW Odessa plant for a 10-15 year agreement to provide energy and capacity.
- ✓ Change in administration and energy policy could favor development of renewables.

Financial

- ✓ Recognized impairment of investments in PPN and Turboven.
 - ✓ Remaining international investments total \$24 million.
- ✓ Received approximately \$700 million from Q3 and Q4 international asset sales.

PSEG

Outlook for Pension Expense

	2008 Actual	January 2009 Estimate**
PSE&G	\$15.0*	\$80.0*
PSEG Power	14.0	76.0
Other	2.0	4.0
TOTAL	31.0	160.0*
Discount Rate	6.50%	6.80%

* After capitalized amount; pre-tax figure.

** The January 2009 estimate represents an increase from our October 2008 forecast of \$110 - \$120 million pre-tax.

2009 Operating Earnings Guidance

\$ millions (except EPS)	2008A*	2009E
PSEG Power	\$ 1,050	\$ 1,210 – \$ 1,285
PSE&G	\$ 360	\$ 320 – \$ 345
PSEG Energy Holdings	\$ 101	\$ 0 – \$ 20
Enterprise	(\$ 24)	(\$ 10) – \$ 0
<i>Operating Earnings</i>	\$ 1,487	\$ 1,520 – \$ 1,650
<i>Earnings per Share</i>	\$ 2.92	\$ 3.00 – \$ 3.25

PSEG Liquidity as of December 31, 2008

Company	Facility	Expiration Date	Total Facility	Primary Purpose	Usage at 12/31/2008	Available Liquidity 12/31/2008
PSEG	5-year Credit Facility	12-Dec	\$1,000	¹ CP Support/Funding/LCs	\$13	\$987
	Bilateral Credit Facility	9-Jun	\$100	CP Support/Funding	\$0	\$100
	Uncommitted Bilateral Agreement	N/A	N/A	Funding	0	N/A
Power	5-Year Credit Facility	12-Dec	1,600	³ Funding/LCs	222	1,378
	Bilateral Credit Facility	9-Jun	100	Funding/LCs	0	100
	Bilateral Credit Facility	9-Mar	150	Funding/LCs	52	98
	Bilateral Credit Facility	9-Sep	50	Funding	0	50
	Bilateral Credit Facility	10-Mar	100	Funding/LCs	14	86
PSE&G	5-year Credit Facility	12-Jun	600	² CP Support/Funding/LCs	20	580
	Uncommitted Bilateral Agreement	N/A	N/A	Funding	0	N/A
Energy Holdings	5-year Credit Facility	10-Jun	<u>136</u>	Funding/LCs	21	<u>115</u>
Total			\$3,836			\$3,494

¹ PSEG Facility reduces by \$47 million in 2012

² PSE&G Facility reduces by \$28 million in 2012

³ Power Facility reduces by \$75 million in 2012

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

Pro-forma Adjustments, net of tax	For the Quarters Ended December 31,		For the Twelve Months Ended December 31,	
	2008	2007	2008	2007
<u>Earnings Impact (in Millions)</u>				
Asset Sales and Impairments:				
Impairment of PPN	\$ (9)	\$ (2)	\$ (9)	\$ (2)
Impairment of Turboven	(4)	-	(4)	(7)
Loss on Sale of Chilquinta and Luz del Sur	-	(23)	-	(23)
Premium on Bond Redemption	-	(28)	(1)	(28)
Total Asset Sales and Impairments	(13)	(53)	(14)	(60)
Lease Reserves	-	-	(490)	-
Total Pro-forma to Operating Earnings	\$ (13)	\$ (53)	\$ (504)	\$ (60)
Fully Diluted Average Shares Outstanding (in Millions)	507	510	508	509
<u>Per Share Impact (Diluted)</u>				
Asset Sales and Impairments:				
Impairment of PPN	\$ (0.02)	\$ -	\$ (0.02)	\$ -
Impairment of Turboven	(0.01)	-	(0.01)	(0.01)
Loss on Sale of Chilquinta and Luz del Sur	-	(0.05)	-	(0.05)
Premium on Bond Redemption	-	(0.06)	-	(0.06)
Total Asset Sales and Impairments	(0.03)	(0.11)	(0.03)	(0.12)
Lease Reserves	-	-	(0.96)	-
Total Pro-forma to Operating Earnings	\$ (0.03)	\$ (0.11)	\$ (0.99)	\$ (0.12)

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